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**SECURITIES AND EXCHANGE COMMISSION**

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Company Information

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Company Name TRAVELLERS INTERNATIONAL HOTEL GROUP, INC. DOING BUSINESS UNDER THE NAME AND STYLE OF: MAXIMS MANILA

Industry Classification Real Estate Activities

Company Type Stock Corporation

Document Information

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(Company's Full Name)

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(Business Address : No. Street City / Town / Province)

Bernard Than Boon Teong

Contact Person

632-908-8000

Company Telephone Number

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Month Day
Fiscal Year

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FORM TYPE

(ANNUAL REPORT AS OF DECEMBER 31, 2013)

Every Second
Friday of June

Annual Meeting

N.A.

Secondary License Type, If Applicable

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Dept. Requiring this Doc.

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Amended Articles Number/Section

21*

Total No. of Stockholders

*As of February 28, 2014

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE
AND SECTION 141 OF THE CORPORATION CODE

1. *For the fiscal year ended* **31 December 2013**
2. **CS 200342649**
SEC Identification Number
3. **246-099-058-000**
BIR Tax Identification No.
4. **TRAVELLERS INTERNATIONAL HOTEL GROUP, INC.**
Exact name of issuer as specified in its charter
5. **METRO MANILA, PHILIPPINES**
Province, country or other jurisdiction of incorporation or organization
6. *Industry Classification Code:* *(SEC Use Only)*
7. **10/F Newport Entertainment & Commercial Centre, Newport Boulevard, Newport
Cybertourism Economic Zone, Pasay City 1309**
Address of principal office
8. **(632) 908-8000**
Registrant's telephone number, including area code
9. *Securities registered pursuant to Sections 8 and 12 of the SRC, or secs. 4 and 8 of the RSA*

Title of Each Class

Number of Shares of Stock Outstanding

Common	15,755,874,850
Preferred B	10,000,000,000
Total	25,755,874,850

10. *Are any or all of these securities listed on a Stock Exchange?*
Yes, the shares of common stock of the Company are listed on the Philippine Stock Exchange.

11. *Indicate by check mark whether the registrant:*

(a) *has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)*

Yes ☒ No ☐

(b) *has been subject to such filing requirements for the past ninety (90) days.*

Yes ☒ No ☐

12. *The aggregate market value of the voting stock held by non-affiliates of RWM, based on the closing price of its common stock of Nine pesos and forty seven centavos (P9.47) on the Philippine Stock Exchange on February 28, 2014 is P 14,988,451,017.*

TRAVELLERS INTERNATIONAL HOTEL GROUP, INC. AND SUBSIDIARIES

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PART I BUSINESS AND GENERAL INFORMATION

Item 1. Business

Overview of the Company

Travellers International Hotel Group, Inc. (the Company) is the developer and operator of Resorts World Manila (“RWM”), an integrated tourism resort in the Philippines. The Company was awarded one of the first licenses issued by the Philippine Amusement and Gaming Corporation (PAGCOR) in June 2008 to construct and operate integrated leisure and gaming facilities to an international standard with the goal of enhancing tourism in the Philippines. In August 2009, the Company began operations at RWM, the first integrated leisure and resort property in the Philippines that combines privately-operated gaming facilities with hotel, retail, dining, entertainment and other leisure amenities.

RWM is an approximately 11.5-hectare integrated tourism resort owned by the Company that is strategically located across from the Ninoy Aquino International Airport (“NAIA”) Terminal 3 (“NAIA-3”) in Pasay City, Manila and approximately five kilometers away from each of NAIA Terminal 1 (“NAIA-1”) and NAIA Terminal 2 (“NAIA-2”) and directly linked to highways leading to Makati. RWM is a 24-hour, one-stop, world-class leisure and entertainment facility within Newport City, a mixed-use community of integrated residential condominiums, hotels, restaurants, shops and offices developed by Megaworld Corporation (“Megaworld”), an Alliance Global Group, Inc. (“AGI”) subsidiary listed on the Philippine Stock Exchange (“PSE”). RWM features a themed shopping and entertainment center and three hotels – Maxims Hotel, an all-suite luxury hotel; the Marriott Hotel Manila, a five-star hotel catering to international business and leisure travelers; and the Remington Hotel, the Company’s mid-range hotel.

Construction of RWM commenced in July 2008, and its gaming facilities and casino opened in August 2009, along with non-gaming features, such as the 11,534 sq. m. Newport Mall, which includes a retail mall, a 1,500 seat performing arts theater (the “Newport Performing Arts Theater”) and a four-screen cinema. The Marriott Hotel Manila opened in October 2009 and offers 342 rooms and suites; Maxims Hotel opened in November 2010 and offers 172 suites and villas; and, the Remington Hotel opened in November 2011 and offers 712 rooms.

The Company has designed RWM to cater to a broad range of local and international visitors, including the following:

- Mass Market players, who represent the highest profit margin gaming segment, and are generally characterized by non-rolling chip and slot machine play; premium Mass Market players, a sub-segment of Mass Market players, are characterized by table game play with relatively higher minimum bets than general Mass Market customers but relatively lower bets than VIP players; and,
- VIP players, who patronize premium gaming facilities, luxury accommodations and amenities, and are characterized by either rolling chip play or cash play and high minimum bets.

The Company is a joint venture partnership between AGI, which is listed on the PSE, and Genting Hong Kong Limited (“GHK”), a company with shares listed on The Stock Exchange of Hong Kong Limited and traded on the GlobalQuote of Singapore Exchange Securities Trading Limited. The partnership between AGI and GHK commenced in July 2008 following the Company’s award of a gaming license from PAGCOR on June 2, 2008 (the “Provisional License”). Prior to the joint venture partnership, the Company was wholly-owned by AGI and held certain of its land bank intended for future hotel, restaurant, leisure park, and entertainment center projects, as well as other related businesses. The partnership combines AGI’s expertise in the Philippine mixed-use township development, food and beverage (“F&B”) and quick service restaurants, and GHK’s international experience as an owner and operator of casino and gaming businesses, operator of passenger cruise ships and provider of cruise-related leisure, entertainment and hospitality services. GHK is affiliated with Genting Berhad and its subsidiaries and associates (the “Genting Group”).

Subsidiaries and Associates

As of December 31, 2013, the Company holds interests in the following subsidiaries and associates:

	<u>Date of Incorporation</u>	<u>Percentage Ownership</u>
Subsidiaries:		
APEC Assets Limited (APEC)	February 23, 2000	100%
BrightLeisure Management, Inc. (BLMI)	December 12, 2008	100%
Bright Pelican Leisure and Recreation, Inc.	September 30, 2013	100%
Deluxe Hotels and Recreation, Inc. (DHRI)	August 3, 2012	100%
Entertainment City Integrated Resorts & Leisure, Inc.	July 19, 2012	100%
FHTC Entertainment & Productions Inc. (FHTC)	February 15, 2013	100%
Grand Integrated Hotels and Recreation, Inc. (GIHRI)	October 19, 2011	100%
GrandServices, Inc. (GSI)	December 12, 2008	100%
GrandVenture Management Services, Inc. (GVMSI)	December 16, 2008	100%
Lucky Star Hotels and Recreation, Inc. (LSHRI)	August 3, 2012	100%
Majestic Sunrise Leisure & Recreation, Inc.	November 16, 2012	100%
Net Deals, Inc.	May 25, 2012	100%
Newport Star Lifestyle, Inc. (NSLI)	August 3, 2012	100%
Royal Bayshore Hotels & Amusement, Inc.	November 16, 2012	100%
Yellow Warbler Leisure and Recreation, Inc.	September 30, 2013	100%
Associates:		
Genting-Star Tourism Academy, Inc.	March 4, 2009	50%
Manila Bayshore Property Holdings, Inc.	October 14, 2011	50%

APEC owns a corporate jet which operates charter flights on behalf of the Company to transport certain international gaming patrons to and from RWM. BLMI employs staff for the casino operations of the Company. GVMSI employs staff for Maxims Hotel and Remington Hotel. GSI currently employs staff for Marriott Hotel Manila. GIHRI operates the Resorts World Manila Lounge at Lucky Chinatown Mall in Manila. NSLI is the company that is targeted to house the membership cards of RWM members. DHRI is the owner of Hilton Manila. LSHRI is the owner of Sheraton Hotel Manila. FHTC is intended to house music recording, theater productions and other entertainment activities of the Company. The Company also has subsidiaries that are not operating as of December 31, 2013 which the Company intends to utilize for some of its operations in the future.

Principal Products or Services and Market

RWM, Travellers' first integrated leisure and lifestyle complex, combines hospitality, entertainment, leisure, shopping and gaming in one grand arena, a one-stop non-stop destination. RWM comprises a casino with an aggregate area of 13,167 square meters. As of the end of 2013, RWM has 119 VIP tables, 168 mass tables, 1,822 slot machines and 210 electronic game units. RWM also features the upscale Newport Mall (90 retail stores and food-and beverage outlets with a mix of high-end boutiques and mass market option), Newport Cinemas (24 hours on weekends), three-storey gaming facilities, the 1,500-seat Newport Performing Arts Theater (a majestic venue for concerts, plays, musicals and exclusive productions), the GameZoo arcade, the Genting Club (a members-only lifestyle club, with a private gaming area, dining options and other fabulous lifestyle features), an office space (which features a training academy and a 400-seat capacity call center) and hotels.

Three hotels are currently in operation at RWM - the five-star 342-room Marriott Hotel Manila, the 172-all-suites Maxims Hotel, and the mid-range 712-room Remington Hotel.

Foreign Sales

Based on the Company's rated members (those members with card swipe), the principal foreign market consistently contributing for the past three years are from China, Korea, Singapore and Malaysia. Foreign guests in Maxims Hotel come from China, Korea, Malaysia, and Singapore; Remington are from Spain, United States, Malaysia and China; while for Marriott, majority are from the United States followed by Singapore, Korea and China.

Distribution Methods

The Company engages in direct relationship-based marketing, which is targeted at specific market segments. The marketing team focuses on market research, surveys, promotions and events that can drive visitations and convert them to returning guests. The sales team is responsible for sales revenues and channel performance. In addition, the Company advertises in many types of media both domestically and overseas, including television, radio, newspapers, magazines and billboards to promote general market awareness.

RWM uses a mix of different channels to reach the specific targets on gaming, lifestyle, and entertainment, such as:

- Direct sales - that comprises of three levels to provide clients with full service: (i) traditional sales, (ii) a business development team and (iii) in-house VIP host services.
- Indirect sales through junkets – from the well-established relationships of Genting Group, to source high-end players in different regions.
- Indirect sales through travel and tour operators – these accredited operators create group travel packages with discounts, to bring in guests in RWM as part of their itineraries, and in return, receive commissions.
- City shuttles - free, convenient, hassle-free shuttle transport for member-players and member-consumers to RWM. The key locations within Metro Manila are Eastwood, Makati, Quezon Avenue, Taguig, Parañaque, Binondo, Malate, Muntinlupa and others.
- Bus program – with the purpose of looking to expand to other areas in Luzon by tapping potential segments in this area, RWM bridges the geographical gap by establishing bus routes in key locations in Luzon.

The Company uses a comprehensive membership management and customer database system. It uses Genting's Dynamic Reporting System (DRS), a fully integrated real-time table games and slots monitoring system.

New Products or Services

The Company is currently developing several new hotels and other gaming and non-gaming attractions at RWM. Phase 2 of RWM is expected to include a grand ballroom and convention center (the "Marriott Grand Ballroom"), as well as an annex to the current Marriott Manila Hotel (the "Marriott West Wing"), while Phase 3 is expected to feature two new hotels, the Hilton Manila and the Sheraton Hotel Manila, as well as an extension to Maxims Hotel. The Marriott Grand Ballroom and Marriott West Wing of Phase 2 are expected to be completed by the end of 2014 and the end of 2015, respectively. Phase 3 is expected to be completed by the second quarter of 2017. The construction of the Hilton Manila and Sheraton Hotel Manila and the expansion of Maxims Hotel will be accompanied by an increase in both gaming and non-gaming facilities. More attractions will also be introduced and suited for the family.

Competition

The Company being the first integrated resort with world-class gaming in the Philippines, has set a benchmark in a very high and unique manner. The group competes with both Philippine and foreign owned hotels and resorts. With respect to the gaming business, competition comes from casinos operated by government and other private companies.

In particular, there are facilities already built or under construction by three developers other than the Company that have been granted provisional licenses by PAGCOR in Entertainment City, one of which has already opened. These three other licensees similarly partnered with international resorts and gaming companies – Henry Sy's SM-consortium has Melco Crown Entertainment Ltd. of billionaires James Packer and Lawrence Ho (Macau); Tiger Entertainment Resort of Kazuo Okada (Japanese); Enrique Razon's Bloomberry Resorts Corporation. In addition, Resorts World Bayshore will be developed in Entertainment City by the Company's co-Licensee, Resorts World Bayshore City, Inc. (RWBCI).

While it has the first-mover advantage, the Company continues to develop other leisure and entertainment attractions to complement its gaming business. The Company is expanding its hotel service through additional hotel brands and rooms, and its attractions as a family destination.

In addition, PAGCOR operates 12 gaming facilities across the Philippines and 34 satellite gaming facilities (which are smaller casinos and slots clubs). The Philippine gaming market also includes many other private casino and gambling operations, including seven licensed private casino operators in special economic zones ("Ecozones"). The Philippine gaming market is also comprised of other gambling competitors specializing in horse racing, cock fighting, jueteng, lotteries, sweepstakes, online gaming operators and other smaller-scale gaming operators.

Sources and Availability of Raw Materials

Travellers has a large base of contractors and suppliers that provide construction, engineering and consulting services, and is not dependent on any one contractor or supplier. In 2013, the five largest suppliers - RGB Ltd., Starcom Philippines, Global Matrix Concept Group, Railtech Ltd., and Huizhou Qiaoxing Famous - accounted for 23.6% of total purchases for the year.

Customer Dependence

The Company's businesses are not dependent upon a single or a few customers or tenants, the loss of which would not have a material adverse effect on the Company and its subsidiaries taken as a whole.

Transactions with and/or Dependence on Related Parties

The Company and its subsidiaries, in their ordinary course of business, engage in transactions with its affiliates. The Company's policy with respect to related party transactions is to ensure that these transactions are entered into on terms comparable to those available from third parties. Intercompany transactions between and among the Company and its subsidiaries are eliminated in consolidation and thus are no longer reflected in the consolidated financial statements.

Transactions with related parties include investments in and advances granted to or obtained from subsidiaries, associates and other related parties. Advances granted to and obtained from subsidiaries, associates and other related parties are for working capital requirements and other related purposes. Other related parties include investees which investments are accounted for under the equity method and other entities which are owned and managed by investors/owners of the Company.

Major related party transactions have been disclosed in Note 21 to the consolidated financial statements appearing elsewhere in this report. Other than those disclosed in the consolidated financial statements, the Company has not entered into any other related party transactions.

Licenses, Trademarks, Franchises

The Company holds a PAGCOR license to operate casinos and engage in gaming activities in two sites – in Newport City (Site B) where RWM is situated, and in Entertainment City (Site A) where Bayshore City is set to rise. The term of the license is co-terminus with PAGCOR's franchise which will expire on July 11, 2033 and shall be renewed subject to the terms of the PAGCOR charter.

On March 18, 2013, the Company and RWBCI, a related party under common ownership, entered into a deed of accession (the Deed of Accession), which was accepted, agreed and consented to by PAGCOR. Pursuant to the Deed of Accession, RWBCI acceded to the rights, title, interests and obligations of the Company under the Provisional License and the Joint Venture Agreement with PAGCOR. Accordingly, PAGCOR recognized and included RWBCI as a co-licensee and co-holder of the Provisional License and the Joint Venture Agreement.

Further, on June 10, 2013, the Company and RWBCI entered into a cooperation agreement (the Cooperation Agreement) which designates the parties' respective rights, interests and obligations under the Provisional License and the Joint Venture Agreement. Specifically, the parties agreed that RWBCI would have all the rights and obligations under the Provisional License with respect to Site A and that the Company would have all the rights and obligations with respect to Site B.

Accordingly, on June 28, 2013, PAGCOR issued an Amended Certificate of Affiliation and Provisional License certifying the Company and RWBCI as co-licensees and co-holders of the Provisional License and the Joint Venture Agreement.

The Company also has a non-exclusive non-transferable right and license within Metro Manila to the use of Marriott trademarks for hotel services and other related goods and services offered in connection with the hotel.

It has registered trademarks over "Passion," "Gamezoo," "Remington Hotel Newport City," "Remington Inn," "Remington Hotel Manila," "Newport Performing Arts Theater," "Grand Opera House Manila," "Fun Fiesta Jackpot," "Manila Millions Poker," "Mabuhay Millions Poker," "Noodle Works," "iGrab everything I want," "iGrab," "Impressions," "Café Maxims," "Mercado," "Kimchi and Mojou," "Remington Bar Lounge," "Bar 360," "Ginzadon," "Grabit," "Thrill Like No Other," "Newport Performing Arts Theater Bar," "The Terrace," "Musikat Records," "Oak Tree Inn," "Regal Inn," "Westford Inn," "Hotel Gran Palacio," "El Castillo de Manila", "Castillo Manila" and and "The Grand Theatre of Manila", and their related devices which will expire on various dates in 2021-2022, and are renewable thereafter.

Government Approval of Principal Products or Services

The Company operates its gaming activities through the license granted by PAGCOR, a government-owned and controlled corporation, which was granted the franchise to operate and license gaming casinos, gaming clubs and other similar recreation or amusement places, gaming pools, whether on land or sea, within the Philippines. The franchise of PAGCOR is extended for another 25 years after July 11, 2008, its original term.

The activities and operations of RWM are closely monitored by PAGCOR who maintains an office inside RWM where officials are stationed 24 hours a day. The Company is in continuous close contact with PAGCOR regarding compliance with its gaming concession and all applicable Philippine laws. The Company is also required to provide periodic reports to PAGCOR.

Shopping malls are regulated by the local government unit of the city or municipality where the shopping mall is located. Retail stores in shopping malls must secure a mayor's permit or municipal license before operating and must comply with the fire safety provisions and other applicable local ordinances. Operators of restaurants and other food establishments in shopping malls must obtain a sanitary permit from the Department of Health.

Effect of Existing or Probable Government Regulations

The Company is subject to 25% and 15% license fees, in lieu of all taxes, with reference to the income component of the gross gaming revenues, as provided under the Provisional License Agreement with PAGCOR. In April 2013, however, the Bureau of Internal Revenue (BIR) issued Revenue Memorandum Circular (RMC) 33-2013 clarifying that PAGCOR, its contractees and its licensees are subject to corporate income tax under the National Internal Revenue Code of 1997, as amended. The Company, together with other PAGCOR licensees, is in consultation with PAGCOR to arrive at a fair and equitable solution for PAGCOR to ensure that the provisions of the Provisional License will be honored and given full force and effect. PAGCOR has confirmed its commitment to abide by the terms of the Provisional License, specifically insofar as the license fees are intended and contemplated to be in lieu of all taxes with reference to the income component of the gross gaming revenues. Management is confident that fair and equitable resolution will be made in keeping with the true spirit and intent of its Provisional License that the Company will not be exposed to further tax liabilities except the license fees as contemplated therein.

Republic Act (RA) 9160, as amended, or the Anti-Money Laundering Act of 2001 (AMLA), prohibits money laundering, a crime whereby the proceeds of an unlawful activity are transacted, thereby making them appear to have originated from legitimate sources. A "covered transaction" under the AMLA refers to a transaction in cash or other equivalent monetary instrument involving a total amount in excess of P500,000 within one banking day. Covered institutions must report all transactions to the Anti-Money Laundering Council within five working days of occurrence, unless the supervising authority concerned prescribes a longer period, which period shall not exceed 10 working days. Penalties include fines of not less than P100,000 and imprisonment ranging from nine months to fourteen years, depending on the money laundering committed. As of writing, casinos and all other activities of Travellers, are not covered by AMLA.

Travellers is registered with PEZA as a Tourism Economic Zone for Maxims Hotel, Marriott Hotel Manila, Remington Hotel, and Newport Entertainment and Commercial Center. As such, Travellers is entitled to certain tax incentives.

Research and Development

The regular research and development activities of the Company for the past three years have not amounted to a significant percentage of revenues. There are no new products or design being developed that would require a material amount of the Company's resources.

Compliance with Environmental Laws

The Company and its subsidiaries have incurred minimal costs to comply with environmental laws.

Number of Employees

As of December 31, 2013, the Group has a total workforce of 4,984 personnel categorized as follows:

	Actual as of December 31, 2013	Projected Headcount as at December 31, 2014
Gaming	2974	3193
Management & Admin	838	882
Hotel	559	408
F&B	482	496
Marketing	131	143
TOTAL	4984	5122

There is no existing collective bargaining agreement between the Company and any of its employees, and the Company's employees are not part of any labor union. The Company has not experienced any disruptive labor disputes, strikes or threats of strikes, and management believes that the Company's relationship with its employees in general is satisfactory.

Potential Business Risks

Risks are integral part of business. Opportunity for advancement cannot be achieved without taking risks. This is why the Company and its subsidiaries adopted a policy whereby risks are identified before they cause significant trouble for the business. They carefully prepare structured/strategic plans to anticipate the inherent risks in their activities and set up methods to mitigate the effects of these risks. Risks are prioritized based on their impact to business, and probability of occurrence. There is a monitoring system that keeps track of the indicators and the actions/corrections undertaken. Feedbacks, both internal and external, are important for current and emerging risks.

The Company's risk management is coordinated with the Board of Directors (BOD) and focuses on actively securing short-to medium-term cash flows by minimizing the exposure to financial markets. Long-term financial investments are managed to generate lasting returns. The Company does not actively engage in the trading of financial assets for speculative purposes.

The potential risks that the present business faces include:

- *Hazards and natural or other catastrophes.* The Company and its subsidiaries' assets are always exposed to losses or impairment through fire and natural or man-made disasters and accidents that may materially disrupt operations and result in losses. In particular, damage to the Company's project structures resulting from such natural catastrophes could also give rise to claims from third parties or for physical injuries or loss of property.

Safety precautionary measures have been undertaken and installed within the operating system. Adequate insurance policies are likewise taken to cover from these risks. Any material uninsured loss or loss materially in excess of insured limits could materially and adversely affect the Company's business, financial condition and results of operations, while remaining liable for any financial obligations related to the business.

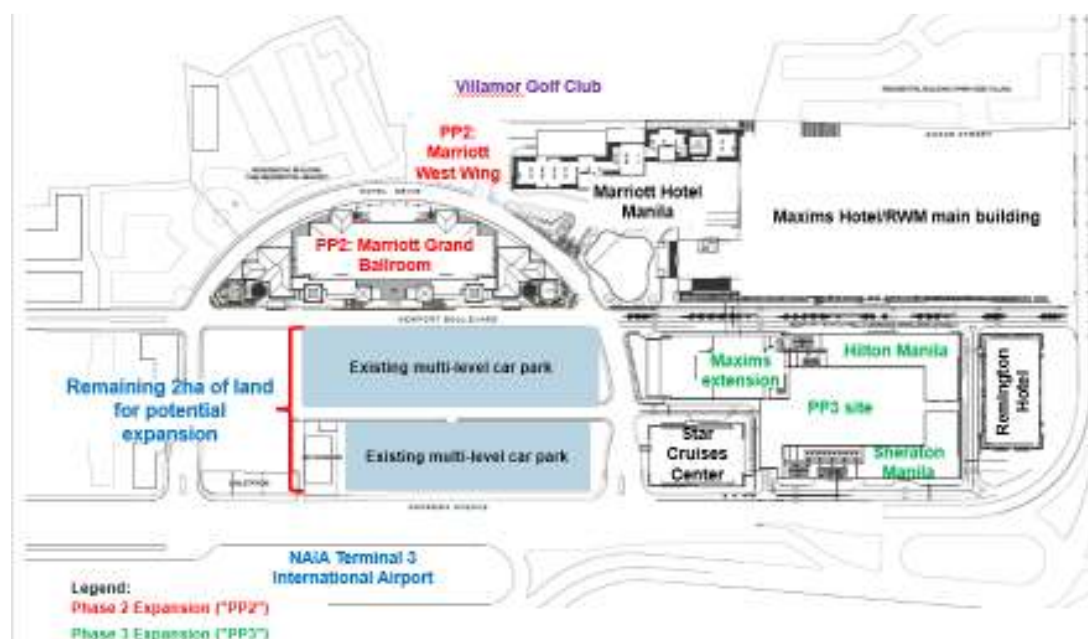
- *Regulatory developments.* The Philippine integrated tourism industry is highly regulated. The Company is subject to gaming regulations for its casino operations. The Company's results of operations could be affected by the nature and extent of any new legislation, interpretation or regulations, including the relative time and cost involved in procuring approvals for projects. If the Company fails to meet safety, health and environmental requirements, it may also be subject to administrative, civil and criminal proceedings initiated by the Philippine Government (the Government), which could result in substantial fines and penalties against the Company, as well as orders that could limit or halt its operations. The Company, thus, keeps abreast of current happenings and immediately institute measures to contain any adverse effect on the Company.

- *Money laundering and cheating at gaming areas.* Casino and gaming activities are cash intensive and involve significant amounts of revenue daily. Customers may seek to influence their gaming returns through cheating or other fraudulent methods. Fraudulent activities, including collusion and automated play, could cause the Company and its customers to experience losses, harm its reputation and ability to attract customers, and materially and adversely affect its business, goodwill, financial condition and results of operations. The Company takes numerous preventive and mitigating measures for the handling of chips, cash and gaming equipment. It uses special technologies to prevent and detect potential fraudulent and counterfeiting activities as well as high value and suspicious transactions.
- *Supply of raw materials.* As the Company currently has significant ongoing expansion and construction projects within the Newport area, the Company sources construction materials such as lumber, steel and cement and may also experience shortages or increases in prices. Rising price changes will result in unexpected increases in construction costs. Purchasing, therefore, keeps posted about supply sufficiency in the market and always looks out for new potential sources.
- *Competition.* The Company's primary business operations is subject to intense competition. Some competitors may have substantially greater financial and other resources than the Company, which may allow them to undertake more aggressive marketing and to react more quickly and effectively to changes in the markets and in consumer preferences. In addition, the entry of new competitors into any of the Company's primary business segments may reduce the Company's sales and profit margins.
- *Philippine economic/political conditions.* The Company's business are highly dependent on the Philippine economy. The Company's results of operations are expected to vary from period to period in accordance with fluctuations in the Philippine economy which is in turn influenced by a variety of factors, including political developments among others. Political instability in the Philippines could negatively affect the general economic conditions and operating environment in the Philippines, which could have a material impact on the Company's business, financial condition and results of operation. While the Philippine economy has generally registered positive economic growth there can be no assurance that current or future Government will adopt economic policies conducive to sustaining economic growth.

A further discussion on financial risk management objectives and policies is presented in the notes to the consolidated financial statements.

Item 2. Properties

The following site map details the principal properties owned or leased by the Company, including those reserved for future developments as of December 31, 2013.



Item 3. Legal Proceedings

There are no material litigations or claims pending or, to the best knowledge of the Company, threatened against the Company or any of its subsidiaries or associates or any of their properties that would adversely affect the business or financial position of the Company or any of its subsidiaries or associates.

Item 4. Submission of Matters to a Vote of Security Holders

There are no matters submitted to a vote of security holders during the fourth quarter of the fiscal year covered by this report.

PART II OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Issuer's Common Equity and Related Stockholder Matters

Market Price Information

The common shares of the Company are traded on the PSE under the symbol of RWM. The Company's common stock was first listed on the PSE on November 5, 2013. The trading prices of the Company's common shares as reported on the PSE for the last quarter of 2013 and in subsequent interim periods are set forth below.

Year	Trading Price
2013	High
	Low
	Close
2014	High
	Low
	Close

Notes:

1. 2013 is as of 27-Dec.
2. 2014 is as of 28-Feb.

Shareholders

As of February 28, 2014, the Company had 21 shareholders, including nominees, holding 15,755,874,850 common shares. The following table from Banco de Oro, Stock and Transfer Agent of the Company, sets forth the twenty largest common shareholders of the Company as of February 28, 2014.

Rank	Stockholder	No. of Shares Held	Per Cent to Total
1	PCD Nominee Corp. (Filipino)	6,921,012,946	43.342
2	PCD Nominee Corp. (Non-Filipino)	5,649,201,234	35.378
3	Megaworld Corporation	1,415,900,000	8.867
4	Premium Travellers Ltd.	1,047,766,000	6.562
5	First Centro, Inc.	707,949,970	4.433
6	The Andresons Group, Inc.	10,000,000	0.063
7	The Andresons Group, Inc.	4,000,000	0.025
8	Quality Investments & Securities Corporation	20,000	Nil
9	John T. Lao	10,000	Nil
10	Alma Bella Pil Alberastine	2,500	Nil
11	Teresa Pedrasa Marcelino	2,200	Nil
12	Pacifico B. Tacub	2,000	Nil
13	Chua Ming Huat	1,000	Nil
14	Tan Sri Kok Thay Lim	1,000	Nil
15	Jose T. Ong Bun	1,000	Nil
16	Jose Alvaro D. Rubio	1,000	Nil
17	Nino Laurito E. Serrano	1,000	Nil
18	Kingson U. Sian	1,000	Nil
19	Enrique Soriano	1,000	Nil
20	Andrew Tan	1,000	Nil

Dividends in the Two Most Recent Years and Subsequent Interim Period

The Company is authorized under Philippine law to declare dividends, subject to certain requirements. The payment of dividends, either in the form of cash or shares, will depend upon the Company's earnings, cash flow and financial condition, among other factors. The Company may declare dividends only out of its unrestricted retained earnings. These represent the net accumulated earnings of the Company with its unimpaired capital, which are not appropriated for any other purpose. The Company may pay dividends in cash, by the distribution of property, or by the issue of shares. Dividends paid in cash are subject to the approval by the BOD. Dividends paid in the form of additional shares are subject to approval by both the BOD and at least two-thirds of the outstanding share capital of the shareholders at a shareholders' meeting called for such purpose.

On May 24, 2013, the Company's BOD approved the declaration of a cash dividend of P6.14 billion to holders of the Company's common shares of record as of March 31, 2013, which was paid on various dates in August 2013.

On September 30, 2013, the Company's BOD approved the declaration of another cash dividend of P1.30 billion to holders of the Company's common shares of record as of July 31, 2013, based on the Company's total retained earnings of P10.16 billion as of June 30, 2013. The holders of the Company's preferred shares waived their rights to participate in any dividend at this time.

The Company's BOD expects to declare and pay a cash dividend of P5.19 billion to holders of the Company's Preferred B Shares as of a record date to be determined. After full payment of these dividends, the holders of the Preferred B Shares will have no further right to participate in dividends declared by the Company.

The Company intends to maintain an annual cash and/or share dividend pay-out of up to 20.0 percent of its net profit from the preceding year, subject to the requirements of applicable laws and regulations, the terms and conditions of its outstanding bonds and loan facilities, and the absence of circumstances that may restrict the payment of such dividends, such as where the Company undertakes major projects and developments. Dividends must be approved by the BOD and may be declared only from the unrestricted retained earnings of the Company. The Company's BOD may, at any time, modify the Company's dividend policy, depending upon the Company's capital expenditure plans and/or any terms of financing facilities entered into to fund its current and future operations and projects.

As of December 31, 2013, the Company's retained earnings are restricted to the extent of the cost of the treasury shares as of the end of the reporting periods. The Company also has P966.2 million unrestricted retained earnings available for dividend distribution.

Item 6. Management's Discussion and Analysis

Key Performance Indicators

Presented below are the key performance indicators of the Company for the years ended December 31, 2013 and 2012:

In Million Pesos	2013	2012
Net Revenues	30,848.0	29,389.7
Net Profit	2,739.5	6,734.2
Net Profit Margin	8.9%	22.9%
EBITDA	6,717.7	9,169.7
EBITDA Margin	21.8%	31.2%
Total Assets	61,225.7	47,966.8
Current Assets	29,471.7	19,919.7
Current Liabilities	10,382.7	8,091.7
Total Debt	17,667.0	19,255.2
Net Cash (Debt)	8,108.5	(2,341.5)
Net Revenue Growth	5.0%	10.2%
EBITDA Growth	-26.7%	6.9%
Net Profit Growth	-59.3%	39.6%

- Net profit margin – the ratio of net profit to net revenues.
- EBITDA Margin – the ratio of EBITDA to net revenues.
- Net revenue growth – measures the percentage change in revenues over a designated period of time. Performance is measured both in terms of amount and volume, where applicable.
- EBITDA growth – measures the percentage change in EBITDA over a designated period of time.
- Net profit growth – measures the percentage change in net profit over a designated period of time.

Discussion and Analysis of Operations

Results of Operations for the Year Ended December 31, 2013 versus 2012

In Million Pesos	2013	2012	YOY Change, %
Net Revenues	30,848.0	29,389.7	5.0%
Gaming	30,003.6	28,058.3	6.9%
Hotel, F&B	2,502.5	2,138.2	17.0%
Other Operating Income	875.6	880.7	-0.6%
Promotional Allowance	(2,533.6)	(1,687.4)	50.1%
Gross Profit	18,740.3	19,278.6	-2.8%
Operating Profit	4,617.2	7,459.7	-38.1%
Net Profit	2,739.5	6,734.2	-59.3%
EBITDA	6,717.7	9,169.7	-26.7%

Net Revenues

Net Revenues increased by 5.0% primarily from improvement in gross gaming revenues.

Gaming Revenues

Gross Gaming Revenue was buoyed by increase in drops volume which showed an average 22% growth. On a per segment basis, the most significant growth in volume drop is registered in the VIP segment which grew by 27%. The growth in VIP segment is driven primarily by increased customer base, expanded CCF, and table management.

The growth in Drop however was offset by a decline in the overall win rate, which was below historical normal rate, particularly in the VIP segment. VIP win rate for full year 2013 was at 2.6% compared to 3.0% in 2012.

The table below presents key operating summary of the casino and gaming facilities for the years ended December 31:

	2013	2012
Operating Days	365	366
Average Daily Property Visitation	18,873	17,182
Average Gaming Units		
VIP Tables	116	125
Mass Tables	167	161
Slots	1,743	1,580
ETG	138	150
Gaming Units (as of Period end)		
VIP Tables	119	119
Mass Tables	168	168
Slots	1,822	1,684
ETG	210	100
Drop Volume (P'M)		
VIP Tables	581,527.1	456,934.6
Mass Tables	23,528.5	21,689.4
Slots	110,669.4	108,206.6
ETG	1,042.4	796.1
Win Rate, %		
VIP Tables	2.6%	3.0%
Mass Tables	26.0%	26.2%
Slots	7.7%	7.8%
ETG	22.7%	25.0%

Hotel, Food, Beverage and Others

Revenue from hotel, food, beverage and others is up by 17.0%. All hotels registered higher occupancy rates as the Company made full use of the facilities to drive gaming patronage.

Other Operating Income

Other operating income dropped by 0.6% from P880.7 million in 2012 to P875.6 million in 2013. Other Operating income primarily consists of income from Newport Performing Arts Theater, rental income for the mall and commercial office space rentals, income from cinema, laundry, spa and others. The retail and Food & Beverage tenant outlets now number 90, with 100% occupancy.

Promotional Allowances

Company's promotional allowances for 2013 reached P2,533.6 million compared with P1,687.4 million in 2012. Promotional allowance refers to the relative fair value of points earned by loyalty card members, and prize money for tournaments.

Gross Profit

Gross profit decreased from P19,278.6 million in 2012 to P18,740.3 million in 2013. This is mainly driven by Direct Cost which grew from P10,111.1 million in 2012 to P12,107.7 million in 2013.

Direct Costs

Direct costs consist of costs associated directly with gaming revenues and costs directly associated with hotel, food, beverage and others. Costs directly associated with gaming are license fees, salaries, wages and employee benefits, entertainment, amusement and recreation costs, complementary costs. Costs directly associated to non-gaming on the other hand include food and beverage purchased and used, salaries and wages and benefits, supplies, parking and others. Direct costs also include depreciation associated to the respective activities.

Gaming license fees consist of a percentage of Gross Gaming Revenues which are directly remitted to PAGCOR. This grew from P6,185.7 million in 2012 to P6,506.2 million in 2013 as a function of expanded Gross Gaming Revenue.

Salaries & wages grew from P2,732.0 million to P3,746.8 million. This is a function of both increase in headcount arising from increased capacities in both Casino and hotel as well as adjustment in base pay. Total manpower count as at end of December 2013 was at 4,984 compared to 4,816 as at end of 2012.

The Company initiated major cost management initiatives in the third and fourth quarter of 2013. These initiatives did not impact the main operations of the Company as it focused on non-core activities which were not the Company's core competence and thus, can be done at lower costs. These initiatives are expected to continue to provide operating leverage in 2014 onwards. Direct cost went down from P6,557.6 million in first half to P5,550.1 million in the second half.

Operating Profit

Operating Profit declined from P7,459.7 million to P4,617.2 million as a result of General and Administrative expenses which increased by 19.5% or P2,304.2million.

General and Administrative Expenses

General and Administrative expenses primarily consist of general marketing expenses (including commissions paid to gaming promoters and rebates paid to VIP patrons), shared services employee salaries and wages and benefits, management fees, utilities and communication expenses.

Commissions and Rebates for 2013 amounted to P6,638.9 million as a result of the expansion in Drops volume.

With the initiatives on cost management, General and Administrative expenses went down from P8,351.3 million in the first half to P5,771.8 million in the second half.

Profit Before Tax

Profit before tax for year ended December 31, 2013 is P2,806.2 million, 58.7% lower than that of 2012 of P6,802.4 million.

Finance Costs and Finance Income

This is largely affected by the Finance costs amounting to P2,036.8 million resulting from the booking of foreign exchange losses because of the devaluation of the Philippine Peso against US Dollars (USD). The Company has a foreign currency exposure through its USD300 million corporate bond. Finance cost is also made up of interest expense, unrealized loss on interest rate swaps, and other bank charges.

Finance income of P225.8 million helped reduce the impact. Finance income is comprised of interest earned from time deposits and other deposit instruments.

Net Profit

Net profit is at P2,739.5 million, after deducting tax expenses of P66.7 million.

EBITDA

Company EBITDA for 2013 is at P6,717.7 million. The Company registered depreciation expenses of P2,100.5 million for the year. Depreciation increased by 22.8% from 2012 because of the acquisition of equipment.

In million Pesos	2013	2012
Operating Profit	4,617.2	7,459.7
Depreciation	2,100.5	1,710.0
EBITDA	6,717.7	9,169.7

Discussion of Operations based on Normalized Win Rate

The Company's performance would have shown a healthy growth rate over 2012, had the normal win rate been achieved. The Company registered relatively low win rates particularly in the third and fourth quarters of 2013.

Table below shows the key operating metrics assuming a normal win rate was attained in the second half:

	2013 Actual	2013 Normalized	2012 Actual
Gross Gaming Revenues	30,003.6	35,237.0	28,058.3
EBITDA	6,717.7	10,447.6	9,169.7
Net Profit	2,739.5	6,436.0	6,734.2

Liquidity and Capital Resources**Assets**

Total assets expanded to P61,225.7 million from P47,966.8 million at beginning of the year, or a 27.6% increase primarily due to the successful conclusion of the initial public offering (IPO) in November.

Current Assets

Cash and cash equivalents increased by P8,861.8 million to end at P25,775.5 million from P16,913.7 million at the beginning of the year. The increase came largely from the IPO proceeds net of dividend and debt payment.

Trade and other receivables expanded by P628.5 million from P2,414.8 million to end at P3,043.3 million with increase in the downpayment to suppliers.

Inventories increased by P61.7 million from P145.6 million to P207.2 million largely due to purchases of cards, seals and dice for operating the casino.

Advances to related parties is reduced by P28.3 million to P160.7 million because of collection from certain related party.

Prepayments and other current assets increased by P28.3 million to P284.9 million. These are investments in time deposits that are made for a period of 360 days and prepaid taxes, insurances and rentals

Non-current Assets

Property and equipment increased by P3,392.2 million to end at P29,200.6 million after accumulated depreciation, with the progress on Phase 2 and 3 construction in place. P4,641.5 million has been spent as of 2013 for Phase 2 and P146.2 million for Phase 3.

Phase 2 is the expansion of the existing Marriott Hotel Manila with the Marriott Grand Ballroom as well as the additional rooms through the Marriott West Wing.

Phase 3 is to comprise two new hotels – the Hilton Manila and the Sheraton Hotel Manila, as well as an extension of Maxims Hotel. Phase 3 shall also include a new gaming area, additional retail space and six basement parking decks.

Current Liabilities

Interest bearing loans and borrowings maturing within one year or less went down to P1,603.3 million from P2,631.8 million at the beginning of the year as the Company paid off its loans to reduce interest carry. This likewise reflected in the non-current portion of interest bearing loans and borrowings which went down by P1,556.0 million from P4,524.5 million to P2,968.5 million.

Trade and other payables increased by P1,882.2 million from P5,430.3 million at the beginning of the year to end at P7,312.5 million. This represents trade payable to suppliers, retention payable to contractors, liability of unredeemed gaming points, and unredeemed gaming chips.

Dividends payable of P1,299.2 million at end of 2013 represent the cash dividend declared by the Company's Board on September 30, 2013 to holders of the Company's common shares as of July 31, 2013.

Advances from related parties increased by P140.4 million to end at P162.0 million from P21.6 million largely due to various services rendered by the related party to the Company.

Non-current Liabilities

Notes Payable increased to P13,095.2 million from P12,098.9 million because of the weakness in the Philippine currency. The rate of P44.414 is used for 2013 versus P41.192 for 2012 to value the US\$ 300 million notes.

Derivative liability slightly decreased from P1,246.1 million to P1,146.0 million because of payments made within this year.

Other Non-current liabilities declined to P121.8 million from P665.8 million largely due to reclassification of liability from noncurrent to current portion in relation to the acquisition of land within Newport area

Net Cash/(Debt)

As of the end of December 31, 2013, Travellers posted a net cash position of P8,108.5 million versus the net debt position of P2,314.5 million as of the end of 2012 as illustrated below:

In Million Pesos	2013	2012
Total Cash	25,775.5	16,913.7
Total Debt	17,667.0	19,255.2
Net Cash/(Debt)	8,108.5	(2,341.5)

Note: Total Debt covers interest-bearing loans and borrowings and notes payable

Equity

The Company has a total equity of P33,427.8 million, an increase of P12,191.0 million as an effect of the IPO proceeds and the various cash dividends declared in 2013 pre-IPO.

Additional paid-in Capital increased to P22,417.2 million from P5,821.6 million largely due to the IPO proceeds. The Company was able to raise P17,745.9 million and P266.7 million in the primary and over-allotment exercise, respectively. P1,257.5 million was applied against APIC representing cost of the exercise.

Retained Earnings declined from P13,988.9 million to P9,288.5 million because of the cash dividends declared on May 24, 2013 amounting to P6.14 billion and on September 30, 2013 amounting to P1.30 billion. The cash dividend of P6.14 billion was paid on various dates in August 2013.

Update on Tax Issues

In April 2013, the Bureau of Internal Revenue issued RMC No. 33-2013 (the RMC), which clarified that PAGCOR, its contractees and its licensees are subject to income tax under the National Internal Revenue Code of 1997, as amended.

Travellers Group, together with other PAGCOR licensees, is in consultation with PAGCOR to arrive at a fair and equitable solution for PAGCOR to ensure that the provisions of the Provisional License will be honored and given full force and effect. PAGCOR has confirmed its commitment to abide by the terms of the Provisional License, specifically insofar as the license fees are intended and contemplated to be in lieu of all taxes with reference to the income component of the gross gaming revenues.

Pending discussions with PAGCOR, no reliable estimate of the obligation under the RMC can be ascertained. Moreover, Travellers is confident that a fair and equitable solution will be arrived at. Hence, no provision has been recognized in the consolidated financial statements as of the end of any of the reporting periods.

Prospects for the Future

Travellers has a track record of attracting customers to its property and is confident in its ability to deliver sustainable growth and sustain market share in a growing industry, capitalizing on the strong and positive economy. Travellers remains vigilant on delivering its business goals and intends to continue to adopt prudent measures to ensure financial sustainability.

Item 7. Financial Statements

The audited consolidated financial statements meeting the requirements of Securities Regulation Code (SRC) Rule 68, together with Statement of Management's Responsibility and Auditors' Report, and supplementary schedules are attached hereto as Exhibit 1 and incorporated herein by reference.

The consolidated financial statements have been prepared in compliance with the Philippine Financial Reporting Standards (PFRS), on the historical cost basis except for the measurement of certain financial assets and liabilities. The preparation of the consolidated financial statements in compliance with PFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the financial statements and related notes. The estimation and judgments are based upon management's evaluation of relevant facts and circumstances of the financial statements. Actual results may ultimately vary from those estimates.

Item 8. Information on Independent Accountant and Other Related Matters

Audit and audit-related services

In compliance with Securities and Exchange Commission (SEC) Memorandum Circular No. 8, Series of 2003, which was subsequently incorporated in SRC Rule 68, paragraph 3(b)(iv), and the Company's Manual of Corporate Governance, which require that the Company's external auditor be rotated or the handling partner changed every five (5) years or earlier, Mr. Nelson J. Dinio of Punongbayan and Araullo (P&A) was designated as handling partner for the audit of the financial statements of the Company starting the year ended December 31, 2011. P&A was also the auditor of the Company for 2010 and 2009.

Tax fees and all other fees

There were no separate tax fees billed and no other products and services provided by P&A to Travellers for the last two fiscal years.

Changes in and disagreements with accountants on accounting and financial disclosure

P&A, as principal auditors, issued an unqualified opinion on the consolidated financial statements. There are no disagreements with the auditors on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which, if not resolved to their satisfaction, would have caused the auditors to make reference thereto in their reports on the financial statements of the Company and its subsidiaries.

PART III CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

Board of Directors and Senior Management

The overall management and supervision of the Company is undertaken by the Company's Board of Directors (the Board or BOD). The Company's executive officers and management team cooperate with its Board by preparing appropriate information and documents concerning the Company's business operations, financial condition and results of operations for its review. Pursuant to the Company's articles of incorporation as amended on May 29, 2013 and June 26, 2013, the Board shall consist of seven members, of which two are independent directors. A majority of the directors were elected at the Company's annual shareholders meeting on November 24, 2012 and will hold office until their successors have been duly elected and qualified. Mr. Laurito E. Serrano was elected as an independent director on June 8, 2013 to serve as such until his successor shall have been duly elected and qualified. To fill the vacancy of the directorship of the Company, Mr. Enrique Soriano III was elected on October 30, 2013 as the Company's second independent director.

The table in the below sets forth each member of the Company's Board as of February 28, 2014.

Name	Age	Nationality	Position
Chua Ming Huat	51	Malaysian	Chairman, Chief Executive Officer and Director
Kingson U. Sian	53	Filipino	President/Director
Dr. Andrew L. Tan	65	Filipino	Director
Tan Sri Lim Kok Thay	62	Malaysian	Director
Jose Alvaro D. Rubio	61	Filipino	Director
Laurito E. Serrano	53	Filipino	Director
Enrique Soriano III	46	Filipino	Director

The table below sets forth 'Travellers' executive officers in addition to its executive directors listed above as of February 28, 2014.

Name	Age	Nationality	Position
Chua Ming Huat	51	Malaysian	Chairman, Chief Executive Officer and Director
Bernard Than Boon Teong ⁽¹⁾	43	Malaysian	Chief Financial Officer
Stephen James Reilly ⁽¹⁾	48	British	Chief Operating Officer
Tony Toh ⁽¹⁾	57	Malaysian	Chief Business Development Officer
M. Hakan Dagtas ⁽¹⁾	45	Turkish	Chief Gaming Operations Officer
Patricia May T. Siy	53	Filipino	Chief Corporate Planning Officer
Ma. Georgina A. Alvarez	43	Filipino	Chief Legal Officer and Assistant Corporate Secretary
Stanley Chee ⁽¹⁾	53	Malaysian	Chief Surveillance & Systems Officer
Ravi D. Ganesan ⁽¹⁾	47	Malaysian	Chief Gaming Training & Development Officer
Armeen Basister Gomez	38	Filipino	Chief Safety & Security Officer
Bernard How Say Kuan ⁽¹⁾	40	Malaysian	Chief Technology Officer
Allan Martin L. Paz	42	Filipino	Chief Integrated Marketing Officer
W. Scott Sibley ⁽²⁾	52	American	Chief Hotel Operations Officer
Venetia T. Sarmiento	52	Filipino	Chief Human Resources Officer
Eric Yaw Chee Cheow ⁽³⁾	44	Malaysian	Senior Director for Business Development
Jeffrey Rodrigo Lim Evora	44	American	Senior Director for Gaming Events & Promotions
Mary Ann E. Moreno	45	Filipino	Senior Director for Gaming Treasury
Carlito B. Banaag	49	Filipino	Director for Audit & Risk Management

⁽¹⁾ Engaged as consultants pursuant to an operations and management agreement between Star Cruises Hong Kong Management Services (Philippines), Inc. and the Company.

⁽²⁾ Engaged under Grand Venture Management Services, Inc.

⁽³⁾ Engaged under Bright Leisure Management, Inc.

The business experience for the past five years of each of our directors and key executive officers is set forth below.

Chua Ming Huat
Director, Chairman and Chief Executive Officer

Mr. David Chua Ming Huat was appointed Chairman and Chief Executive Officer of the Company in 2008. He is currently President of GHK and is also a director of Norwegian Cruise Line Holdings Ltd., a company listed on the NASDAQ Global Select Market. Before accepting his appointment at GHK, Mr. Chua was the Chief Operating Officer of Genting Berhad from September 2006 to February 2007. Prior to that, he held key management positions in various international securities companies in Malaysia, Singapore and Hong Kong with extensive knowledge in the management of securities, futures and derivatives trading, asset and unit trust management, corporate finance and corporate advisory business. He was a director and member of the Listing Committee of the MESDAQ market of Bursa Malaysia Securities Berhad. He has a Bachelor of Arts degree in Political Science and Economics from the Carleton University in Ottawa, Canada.

Kingson U. Sian
Director and President

Mr. Kingson Uy Shiok Sian was appointed Director and President of the Company in 2008. Mr. Sian has also been President and Director of AGI since February 2007. He is currently a member and executive director of Megaworld Corporation. Mr. Sian is concurrently Director and President of Forbes Town Properties & Holdings, Inc. and also Chairman and President of Prestige Hotels & Resorts, Inc. Mr. Sian was formerly a Vice President of FPB Asia Ltd/First Pacific Bank in Hong Kong from 1990 to 1995 and was with Citicorp Real Estate Inc. in the United States from 1988 to 1990. He graduated from the University of the Philippines with a Bachelor of Science degree in Business Economics and has a Masters Degree in Business Administration for Finance and Business Policy from the University of Chicago.

Dr. Andrew L. Tan
Director

Dr. Andrew L. Tan was appointed a Director of the Company in 2008. He has broad experience in the real estate, tourism, distillery, consumer products marketing and quick service restaurant businesses. Among the positions previously and currently held by Dr. Tan are: Chairman and CEO of AGI, Global-Estate Resorts, Inc. and Megaworld Corporation; Chairman of Empire East Land Holdings, Inc., Suntrust Properties, Inc., Emperador Distillers, Inc., Alliance Global Brands, Inc. and Megaworld Foundation, Inc.; Vice Chairman and Treasurer of Golden Arches Development Corporation and Golden Arches Realty Corporation. Dr. Tan graduated magna cum laude from the University of the East with a Bachelor of Science degree in Business Administration. In 2011, Dr. Tan was conferred by the University of the East the Degree of Doctor of Humanities, honoris causa.

Tan Sri Lim Kok Thay
Director

Tan Sri Lim Kok Thay was appointed a Director of the Company in 2009. Tan Sri Lim spearheads the Genting Group, a Malaysian based conglomerate and one of the most dynamic companies in this region. Since his appointment as Chairman and Chief Executive of Genting Berhad in December 2003, he has expanded the Genting Group's presence globally and his commitment to excellence, innovation and growth has resulted in the birth of premier global leisure brands. This includes Resorts World Genting, the Genting Group's prime leisure brand in Malaysia, the Burswood International Resort & Casino in Perth and the Adelaide Casino in South Australia, Lucayan Beach Resort & Casino in the Bahamas and the Subic Bay Resort & Casino in the Philippines. In 1990, he assisted the Mashantucket Pequot, a Native American Tribe, in establishing Foxwoods Resort Casino, a gaming resort in the United States of America. More recently, he expanded the Genting Group's leisure and gaming investments to New York, USA. In 2005, he expanded the Genting Group's presence to the United Kingdom. Today, Genting Group affiliate Genting UK Plc is the largest casino operator in the UK with over 40 casinos. In 2006, Tan Sri Lim led the development of Resorts World Sentosa, an integrated resort on Sentosa Island in Singapore. Tan Sri Lim pioneered the Asian cruise industry by founding Star Cruises in the 1990s. He recently expanded Star Cruises' focus from sea to land-based operations. As an entrepreneur, Tan Sri Lim focuses on innovation, re-invention and redefining the leisure and hospitality industry. He has led the Genting Group to develop prominent consumer brands in the leisure and hospitality sector, such as "Resorts World," "Maxims," "Crockfords," "Awana," "Star Cruises" and "Norwegian Cruise Line."

Jose Alvaro D. Rubio
Director

Mr. Jose Alvaro D. Rubio was appointed Director of the Company in 2009. Mr. Rubio was Senior Vice President at Philippine National Bank (“PNB”) and has over 35 years of banking industry experience, including various positions in international banking, remittance, budgeting, corporate planning, controllership, systems design/improvement, branch banking, audit and lending operations including the head of the corporate banking group at PNB, overseeing the financing activities for major corporate accounts in areas including real estate, construction, telecommunications, power and energy, manufacturing, hotels, tourism and services. He was a former member and Director of the Bank Administration Institute of the Philippines, an association of local and foreign banks. Mr. Rubio has a Bachelor of Science in Business Administration in Accounting from the University of the East in Manila (cum laude).

Laurito E. Serrano
Director

Mr. Laurito E. Serrano was appointed Director of the Company on June 8, 2013. He has been a Director of Philippine Veterans Bank and Atlas Consolidated Mining Corporation since June 2012 and August 2012, respectively. Since March 2010, Mr. Serrano has been Managing Director of CibaCapital Philippines, Inc. where he develops and promotes financial advisory and project development engagements, involving transaction structuring, public offerings, listings of shares, asset securitization and monetization, work-out deals, project studies, business acquisitions and debt and equity capital-raising. He was a partner at the accounting firm of SGV from 1992 to 1997 and part of the Audit and Business Advisory Group of SGV from 1980-1992. Mr. Serrano graduated cum laude from the Polytechnic University of the Philippines, where he obtained his Bachelor of Science degree in Commerce. He is a Certified Public Accountant and ranked twelfth in the CPA licensure examinations. He also obtained his Master’s degree in Business Administration from Harvard Business School in Boston, Massachusetts, U.S.A.

Enrique Soriano III
Director

Professor Enrique Soriano III was appointed Director of the Company on October 30, 2013. He is a Family Business Coach, Book Author, Professor of Global Marketing, Program Director for Real Estate and Chairman of the Marketing Cluster of the Ateneo Graduate School of Business (“AGSB”). He holds a B.A. in History from the University of the Philippines, an MBA from De La Salle University, Doctorate Units at the UP National College of Public Administration and pursued Executive Education at the National University of Singapore Business School.

Bernard Than Boon Teong
Chief Financial Officer

Mr. Bernard Than Boon Teong is the Chief Financial Officer of the Company. Prior to becoming Chief Financial Officer, he held the position of Vice President for Treasury. He has over 18 years of working experience in external audit, hospitality industry and casino/ gaming/ cruise line industries. Mr. Than held various positions throughout his career with Star Cruises from 1997 to 2008, starting as Accountant before being promoted to Assistant Controller, Controller, Director, then AVP. He was responsible for introducing a Computerized Tracking Program for the calculation of VIP players, level of gaming, and calculation of commission. He earned his business degree from Monash University in Melbourne, Australia.

Stephen James Reilly
Chief Operating Officer

Mr. Stephen James Reilly has served as the Chief Operating Officer of the Company since January 1, 2013 and has served as Executive Vice President of the Company since November 2011. Mr. Reilly is responsible for the operations and projects of Travellers International and Resorts World Philippines. Mr. Reilly has also served as Country Head (Philippines) and Senior Vice President of GHK Group beginning in November 2011 and was responsible for the regional operating headquarters and GHK Group support services. Mr. Reilly joined GHK Group in January 1995, initially in the Surveillance Department where he was promoted to Director of Surveillance in 1997 and Vice President of Surveillance in 2003. Prior to joining the Company, Mr. Reilly had ten years of experience working in the United Kingdom, where he held the positions of Chief Security Officer and Surveillance Officer at the Regency and Barracuda Casinos, responsible for the security and surveillance of gaming operations.

Tony Toh
Chief Business Development Officer (Casino Marketing)

Mr. Tony Toh has been the Chief Business Development Officer of the Company since January 1, 2013, prior to which he served as Executive Vice President of the Company. Beginning in September 2009, Mr. Toh has served in various capacities at the Company, including Senior Vice President of Special Project, Senior Vice President of Casino Operations and Senior Vice President of Business Development (Casino Marketing). Mr. Toh has more than ten years of experience working in the gaming industry in the Philippines. Mr. Toh started his career with the Genting Group in Malaysia where he worked for 23 years before moving to the Philippines. He held several senior positions at a Genting casino, including Vice President of Slot Operations, Vice President of Table Games and Vice President of Casino Marketing. He also spent numerous years as Surveillance Manager in the same casino.

M. Hakan Dagtas
Chief Gaming Operations Officer

Mr. M. Hakan Dagtas is the Chief Gaming Operations Officer of the Company. He has over 24 years of working experience in the hospitality industry and casino/gaming/cruise line industries. Mr. Dagtas served under various capacities throughout his career with Star Cruises from 1996 to 2008 in Hong Kong, Singapore, Malaysia and Thailand. He started as Inspector and was promoted to Shift Manager, Assistant Casino Manager and Casino Manager of different vessels of Star Cruises. He was in charge of the entire training team for the biggest ship of the fleet. He planned, organized and conducted several new games, upgrades, and service related courses. From 1994 to 1996, Mr. Dagtas was Pit Boss of Net Holding, which is the largest gaming company in Turkey. He worked in Cinar Casino, Swiss Hotel Bosphorus, and Ramada Mersin. From 1992 to 1994, he supervised different casino games as Inspector for Ramada Casino in Mersin, Turkey. He started as a dealer in Hilton Casino, Mersin, Turkey where he worked from 1989 to 1992. He graduated from the School of Tourism and Hotel Management of Cukurova University.

Patricia May T. Siy
Chief Corporate Planning Officer

Ms. Patricia May T. Siy is the Chief Corporate Planning Officer of the Company, principally in charge of corporate and strategic planning, investor relations, and business development for non-gaming activities, including inbound domestic and international sales, membership, corporate and merchant relationships, and theater sales. In 2011, Ms. Siy served as the Chief Finance Officer for Rustan's Supercenter, Inc. Between 2000 and 2011, Ms. Siy worked for Security Bank Corporation. Her last position held and function was Segment Head (Executive Vice President) for Commercial and Retail Banking, with oversight of commercial lending units, branch banking, transaction banking, consumer lending and marketing and communications. During her tenure, she also managed the Corporate Relationship Group as Senior Vice President for six years and the Middle Market Group for three years. Ms. Siy also worked for Standard Chartered Bank for seven years in various positions, including in the Regional Consumer Credit, Global Special Asset Management and Corporate Banking Divisions. She also served in several capacities at the Private Development Corporation of the Philippines, where she worked for 11 years. Ms. Siy graduated from De La Salle University with a Bachelor of Science degree in Industrial Management Engineering, minoring in Chemical Engineering.

Ma. Georgina A. Alvarez
Chief Legal Officer

Atty. Ma. Georgina Alvarez is the Chief Legal Officer of the Company. She oversees the following corporate functional areas: Legal (Compliance, Special Projects, Contracts, Corporate Secretarial Work, Litigation and Labor). Prior to joining the Company, Atty. Alvarez was the Senior Vice President for Legal & Corporate Services of Global-Estates Resort, Inc. She worked for CJH Development Corporation from 1998 to 2008, her last position being Senior Vice President for Legal & Corporate Services. Atty. Alvarez started her career with Angara Abello Concepcion Regala & Cruz Law Offices as a litigation lawyer from 1995-1998. Atty. Alvarez graduated second in rank from the San Beda College of Law and earned with distinction her Masters in Management Major in Industrial Relations at the University of the Philippines. She obtained a Bachelor of Science degree with a Commerce Major in Economics and Marketing from Saint Louis University.

Stanley Chee**Chief Surveillance & Systems Officer**

Mr. Stanley Chee is the Chief Surveillance & Systems Officer of the Company. He is responsible for the installation of a state-of-the-art digital CCTV system equipped with over 2,500 cameras, and the set-up of a Las Vegas-style casino surveillance monitoring room. Mr. Chee has over 27 years of casino experience with an understanding of the Asian gaming environment and popular table games, having worked at Star Cruises before joining the Company, serving Director of Surveillance and specializing in the operation of numerous ship-based casino surveillance monitor rooms.

Ravi D. Ganesan**Chief Gaming Training & Development Officer**

Mr. Ravi Ganesan is the Chief Gaming Training and Development Officer of the Company. He has approximately 25 years of working experience in the casino/gaming/cruise line industries. He worked with Star Cruises beginning in 1999 as Director of Casino Administration and Training. In 1988, he joined Resorts World Genting and was appointed Assistant Manager TRD of Casino de Genting, Resorts World Genting in 1992. Mr. Ganesan graduated from TAR College with a Course in Matriculation.

Armeen Basister Gomez**Chief Safety & Security Officer**

Mr. Armeen Basister Gomez is the Chief Safety and Security Officer of the Company. He has over ten years of management and leadership experience in asset protection, fraud control, safety administration, investigation and related functions. He is a Board Certified Protection Professional of the American Society for Industrial Security International, and a Licensed Security Consultant licensed by SAGSD, Philippine National Police. Beginning in 2005, he worked for De La Salle Philippines' Center for Safety and Security, where he was promoted from Head to Director in 2008. From 2000 to 2005, he worked for Philhealth, where he held various posts such as Special Investigator IV, Senior Fraud Control Specialist, and Intelligence Officer III & Special Assistant to the President. Mr. Gomez has a Masters Degree in Business Administration from the International Academy of Management and Economics. He also completed a Post Graduate Course in Occupational Health and Safety from the University of the Philippines.

Bernard How Say Kuan**Chief Technology Officer**

Mr. Bernard How Say Kuan is the Chief Technology Officer of the Company. He has more than 16 years of extensive experience in casino systems. Mr. How previously headed the casino systems, SAP AG, and software development team in Star Cruises' IT Department, which he joined in 1996, and has served as Assistant Vice President of Membership Services. Prior to joining Star Cruises, Mr. How was the Assistant Project Manager for eGenting, managing software development and system implementation for the casino management systems. Mr. How has a Degree in Computer Science from the Victoria University of Technology, Australia.

Allan Martin L. Paz**Chief Integrated Marketing Officer**

Mr. Allan Martin L. Paz is the Chief Integrated Marketing Officer of the Company. He has close to 20 years of extensive experience and background in professional integrated communication, advertising and marketing. In 2009, Mr. Paz worked as Client Service Director for DDB Worldwide. From 2007 to 2009, he was Senior Brand Director for Leo Burnett/Arc Worldwide in Shanghai. From 2006 to 2007 he was Senior Account Director for 141 Worldwide in Ho Chi Minh, Vietnam. From 2001 to 2006, he was Group Account Supervisor for Foote Cone and Belding Advertising. From 1994 to 2001, he held various posts in Ace Saatchi & Saatchi Advertising from Account Executive, Senior Account Executive, Account Manager, and then later on Senior Account Manager. Mr. Paz received an A.B. degree in Communication Arts, with an emphasis on Advertising/Marketing from the University of Santo Tomas.

W. Scott Sibley
Chief Hotel Operations Officer

Mr. W. Scott Sibley is the Chief Hotel Operations Officer of the Company. He has 28 years of extensive experience in the hospitality and hotel industry. He started his career with the Marriott hotel group in 1985. Mr. Sibley has vast experience opening new hotels and working in different cities and countries including Florida, California, Hawaii, Dubai, Vietnam, Singapore, Cebu and Canada. He has been a General Manager for the last 14 years in Dubai, UAE; Toronto, Canada; Seoul, Korea; and Guam, USA. Mr. Sibley served as General Manager of Marriott Hotel Manila in 2012.

Venetia T. Sarmiento
Chief Human Resources Officer

Ms. Venetia T. Sarmiento has a human resource management experience of over fifteen years. Her work experience spans across various industries which include directory publishing, advertising, manufacturing, insurance and BPO. The last 15 years of her career was spent in the business process outsourcing industry where she held senior management positions in the field of business development, operations and human resource management. Ms. Sarmiento was part of the pilot team that launched the offshore call center operations of Teleperformance Philippines and was later tasked to implement the standard operations management processes at Teleperformance Australia in the capacity of an Operations Director. She later on joined the start-up team of another BPO company, Stellar Philippines. Her training in Six Sigma, ISO 9001, Project Management and COPC qualified her to lead process development, process improvement and quality management initiatives. She completed her degree in psychology at the University of Santo Tomas and MBA master in Human Resource Management at the Lyceum of the Philippines.

Eric Yaw Chee Cheow
Senior Director for Business Development

Mr. Eric Yaw Chee Cheow is the Senior Director for Business Development of the Company. He is a casino industry veteran with 20 years of experience in casino surveillance and casino marketing operations. Prior to joining the Company, Mr. Yaw worked for a casino gaming company in Subic Bay with focus on international gaming promoter business, catering to gaming markets in the Greater China and South East Asian regions. Mr. Yaw also headed the CCTV Department of Hyatt Hotel and Casino, Manila in 2008.

Jeffrey Rodrigo Lim Evora
Senior Director for Gaming Events & Promotions

Mr. Jeffrey Rodrigo Lim Evora is the Senior Director for Gaming Events & Promotions of the Company. He has nearly 20 years of experience in U.S., local, regional, Native American, riverboat, and mega-resort casino operations. Mr. Evora has held various positions throughout his career with hotels and resort property companies. Mr. Evora was an auditor with Hyatt Regency — Maui; a casino analyst at Flamingo Hilton Las Vegas; marketing manager of Lady Luck Gaming Corporation; and director of database marketing of Boyd Gaming Corporation and Horseshoe Gaming Holding Corporation. At Harrah's Entertainment, he was the Central Division Director of Marketing, Director of Casino Marketing, and eventually became the Director of Asian Communications. He was the Executive Director of Marketing at Seneca Niagara Casino and Hotel prior to joining Resorts World Manila. Mr. Evora earned his business degree from the University of Phoenix in Las Vegas, Nevada, USA.

Mary Ann E. Moreno
Senior Director for Gaming Treasury

Ms. Mary Ann Moreno is Senior Director for Gaming Treasury of the Company. She has close to 20 years of experience in the casino/gaming industry. She worked with the Gaming Treasury team of Star Cruises from 1994 to 2008. Ms. Moreno graduated from Polytechnic University of the Philippines with a Bachelor of Science degree with a major in Computer Data Processing Management.

Carlito B. Banaag
Director for Audit & Risk Management

Mr. Carlito B. Banaag was appointed Director for Audit & Risk Management for Resorts World Manila's Audit and Risk Management Department in July 2010. Mr. Banaag was previously the Operational Risk Management Officer at China Banking Corporation, where he participated in risk awareness campaigns and bank personnel training. He has served as Internal Audit Head for Philippine Deposit Insurance Corporation and as Risk Management/Compliance Officer for several private banks. He is a Certified Public Accountant with a bachelor's degree in Accountancy from the Polytechnic University of the Philippines.

Significant Employees

The Company does not have significant employees, i.e., persons who are not executive officers but expected to make significant contribution to the business.

Family Relationships

There are no family relationships between any Directors and any members of the Company's senior management as of the date of this report.

Involvement in Certain Legal Proceedings

As of December 2013, to the best of the Company's knowledge and belief and after due inquiry, none of the Company's directors, nominees for election as director, or executive officer have in the five year period prior to the date of this Report: (1) had any petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within a two-year period of that time; (2) convicted by final judgment in a criminal proceeding, domestic or foreign, or have been subjected to a pending judicial proceeding of a criminal nature, domestic or foreign, excluding traffic violations and other minor offenses; (3) subjected to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting their involvement in any type of business, securities, commodities or banking activities; or (4) found by a domestic or foreign court of competent jurisdiction (in a civil action), to have violated a securities or commodities law or regulation and the judgment has not been reversed, suspended, or vacated.

Item 10. Executive Compensation

Compensation

The following are the Company's President and four most highly compensated executive officers for the year ended December 31, 2013:

Name	Position
Sian, Kingson Uy Shiok.	President
Alvarez, Ma. Georgina Aragon.	Chief Legal Officer
Siy, Patricia May Tan.	Chief Corporate Planning Officer
Gomez, Armeen Basister	Chief Safety & Security Officer
Paz, Allan Martin Liwag	Chief Integrated Marketing Officer

The following table identifies and summarizes the aggregate compensation of the Company's President and the four most highly compensated executive officers of the Company in 2010, 2011, 2012 and 2013:

	Year	Total⁽¹⁾
President and the four most highly compensated executive officers named above	2011	10,170,201
	2012	17,303,498
	2013	29,388,469
Aggregate compensation paid to all other officers as a group unnamed	2011	117,671,043
	2012	160,005,572
	2013	264,489,977

Note:

(1) Includes salary, bonuses and other income.

Standard Arrangements

Other than payment of reasonable per diem as may be determined by the Board for every meeting, there are no standard arrangements pursuant to which directors of the Company are compensated, or were compensated, directly or indirectly, for any services provided as a director and for their committee participation or special assignments for 2010 up to the present.

Other Arrangements

There are no other arrangements pursuant to which any director of the Company was compensated, or to be compensated, directly or indirectly, during 2013 for any service provided as a director.

Employment Contracts

The Company has no special employment contracts with the named executive officers.

Warrants and Options Outstanding

There are no outstanding warrants or options held by the President and CEO, the named executive officers, and all officers and directors as a group.

Item 11. Security Ownership of Certain Beneficial Owners and Management

Security Ownership of Certain Record and Beneficial Owners of more than 5% of the Company's voting securities as of December 31, 2013.

Name and Address of Record Owners	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Common Shares Held	No. of Preferred B Shares Held	Total No. of Shares Held	% of Total Outstanding Shares
Adams Properties, Inc., 20/F IBM Plaza Bldg., Eastwood City, Bagumbayan, Quezon City, Philippines	Alliance Global Group, Inc. (which is also a shareholder of the Company)	Filipino	3,539,750,000	8,333,333,333	11,873,083,333	46.10%
Alliance Global Group, Inc., 20/F IBM Plaza Bldg., Eastwood City, Bagumbayan, Quezon City, Philippines	The Andersons Group, Inc.	Filipino	2,831,800,000	—	2,831,800,000	10.99%
Star Cruises Philippines Holdings B.V., Herikerbergweg 238, Luna Arena, 1101CM, Amsterdam, Zuidoost, The Netherlands	Star Cruises Investment Holdings Cooperative U.A.	Netherlands	2,831,800,000	1,666,666,667	4,498,466,667	17.47%
Asian Travellers, Ltd., Officers of Portcullis TrustNet (BVI) Limited, Portcullis TrustNet Chambers, P.O., Box 3444, Road Town Tortola, British Virgin Islands	Genting Philippines Holdings Limited (BVI)	British Virgin Islands	1,784,034,000	—	1,784,034,000	6.93%

Name and Address of Record Owners	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Common Shares Held	No. of Preferred B Shares Held	Total No. of Shares Held	% of Total Outstanding Shares
Megaworld Corporation, 28/F The World Trade Center, 330 Sen. Gil Puyat Ave., Makati, Philippines	Alliance Global Group, Inc. (which is also a shareholder of the Company)	Filipino	1,415,900,000	–	1,415,900,000	5.50%

As of February 26, 2014, the Company's level of foreign ownership is 32.47% of its equity.

Security Ownership of Directors and Officers as of the date of this Prospectus

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	% of Total Outstanding Shares
Common	Tan, Andrew L. (Director)	1.000 shares (direct)	Filipino	Nil
Common	Sian, Kingson Uy Shiok (President/Director)	1.000 shares (direct)	Filipino	Nil
Common	Lim, Tan Sri Kok Thay (Director)	1.000 shares (direct)	Malaysian	Nil
Common	Chua, Ming Huat (Chairman/Chief Executive Officer/Director)	1.000 shares (direct)	Malaysian	Nil
Common	Rubio, Jose Alvaro D. (Director)	1.000 shares (direct)	Filipino	Nil
Common	Serrano, Laurito E. (Director)	1.000 shares (direct)	Filipino	Nil
Common	Soriano, Enrique (Director)	1,000 shares (direct)	Filipino	Nil
		Total: 7,000 shares		

Voting Trust Holders of 5% or More

To the best of the Company's knowledge and belief, there were no persons holding more than 5% of a class of shares of the Company under a voting trust or similar agreement as of the date of this report.

Change in Control

As of the date of this report, there are no arrangements which may result in a change in control of the Company.

Item 12. Certain Relationships and Related Transactions

Except for the material related party transactions described in the notes to the consolidated financial statements of the Company for the years 2013 and 2012 (please see as filed elsewhere in here), there has been no material transaction during the last two years, nor is there any material transaction currently proposed, to which the Company was or is to be a party, in which any director or executive officer, any nominee for election as director, stockholder of more than ten percent (10%) of the Company's voting shares, and any member of the immediate family (including spouse, parents, children, siblings, and in-laws) of any such director or officer or stockholder of more than ten percent (10%) of the Company's voting shares had or is to have a direct or indirect material interest.

The Company has no transaction for the covered period with parties that fall outside the definition of "related parties" under PAS 24, *Related Party Disclosures*, but with whom the Company or its related parties has a relationship that enables the parties to negotiate terms of material transactions that may not be available from other, more clearly independent parties on an arm's length basis.

PART IV – CORPORATE GOVERNANCE

Item 13. Corporate Governance

The Board approved the Company's Corporate Governance Manual (the "Manual") during the meeting of the Board of Directors on May 7, 2013. The Manual assists the Company in monitoring and assessing its level of compliance with leading practices on good corporate governance as specified in pertinent Philippine SEC circulars. Aside from establishing specialized committees to aid in complying with the principles of good corporate governance, the Manual also outlines specific investor's rights and protections and enumerates particular duties expected from the Board members, officers and employees. It also features a disclosure system which highlights adherence to the principles of transparency, accountability and fairness. A compliance officer is tasked with the formulation of specific measures to determine the level of compliance with the Manual by the Board members, officers and employees. There has been no deviation from the Manual's standards as of this writing.

COMMITTEES OF THE BOARD

The Board created each of the following committees and appointed Board members thereto. Each member of the respective committees named below has been holding office from the date of its appointment and will serve until his successor shall have been elected and qualified.

Audit Committee

The Company's Audit Committee is responsible for assisting its Board in its fiduciary responsibilities by providing an independent and objective assurance to its management and shareholders of the continuous improvement of its risk management systems, business operations and the proper safeguarding and use of its resources and assets. The Audit Committee provides a general evaluation of and assistance in the overall improvement of its risk management, control and governance processes. The Audit Committee must comprise at least three members of the Board, who shall preferably have accounting and finance backgrounds, at least one of whom shall be an independent director, and another with audit experience. The Audit Committee reports to the Board and is required to meet at least four times a year. The Audit Committee chairman shall be an independent director.

The Audit Committee shall have the following functions:

- (A) assist the Board in the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process, and monitoring of compliance with applicable laws, rules and regulations;
- (B) provide oversight over management's activities in managing credit, market, liquidity, operational, legal and other risks of the Company. This function shall include regular receipt from management of information on risk exposures and risk management activities;
- (C) perform oversight functions over the Company's internal and external auditors. It should ensure that the internal and external auditors act independent from each other, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions;
- (D) review the annual internal audit plan to ensure its conformity with the objectives of the Company. The plan shall include the audit scope, resources and budget necessary to implement it;
- (E) prior to the commencement of an audit, discuss with the external auditor the nature, scope and expenses of the audit, and ensure proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;
- (F) organize an internal audit department, and consider, when necessary and desirable, the appointment of an independent internal auditor and the terms and conditions of its engagement and removal;
- (G) monitor and evaluate the adequacy and effectiveness of the Company's internal control system including financial reporting control and information technology security;
- (H) review the reports submitted by the internal and external auditors;

- (I) review the quarterly, half-year and annual financial statements before their submission to the Board, with particular focus on the following matters: any change/s in accounting policies and practices; major judgmental areas; significant adjustments resulting from the audit; going concern assumptions; compliance with accounting standards; and compliance with tax, legal and regulatory requirements;
- (J) coordinate, monitor and facilitate compliance with laws, rules and regulations;
- (K) evaluate and determine the non-audit work, if any, of the external auditor, and review periodically the non-audit fee paid to the external auditor in relation to its significance to the total annual income of the external auditor and to the Company's overall consultancy expenses. The Audit Committee shall disallow any non-audit work that will conflict with its duties as an external auditor or may pose a threat to its independence. The non-audit work, if allowed, should be disclosed in the Company's annual report; and,
- (L) establish and identify the reporting line of the Internal Auditor to enable him to properly fulfill his duties and responsibilities. He shall functionally report directly to the Audit Committee.

The Audit Committee shall ensure that the Internal Auditor in the performance of its work shall be free from interference by outside parties.

Remuneration and Compensation Committee

The Remuneration and Compensation Committee comprises at least three members, including the President and one independent director. It ensures that the compensation policies and practices are consistent with the corporate culture, strategy and business environment under which the Company operates. It is responsible for objectively recommending a formal and transparent framework of remuneration and evaluation for the members of the Board and the Company's key executives to enable the directors and officers to run the company successfully. It evaluates and recommends to the Board incentives and other equity-based plans designed to attract and retain qualified and competent individuals.

The Remuneration and Compensation Committee reports directly to the Board and is required to meet at least once a year and provides overall direction on the compensation and benefits strategy of the Company.

Nomination Committee

The Company's Nomination Committee is responsible for providing its shareholders with an independent and objective evaluation and assurance that the membership of the Board is competent and will foster the Company's long-term success and secure its competitiveness. The Nomination Committee must comprise at least three members, one of whom should be an independent director. The Nomination Committee reports directly to the Board and is required to meet at least two times a year.

Executive Committee

The Corporate Governance Manual provides for the creation of an executive committee to be composed of five members appointed by the Board from time to time. Under the Manual, the Chairman of the Board shall act as ex-officio Chairman of the Executive Committee, the President as Vice-Chairman, and three other members shall sit as members of the committee. The Executive Committee shall have the following powers and functions: (i) to advise and assist the officers of the Company in all matters concerning its interest and the management of its business, and (ii) whenever the Board is not in session, to exercise all the powers of the Board which may be delegated to it by the Board.

Corporate Governance Committee

The Board shall organize a Corporate Governance Committee which shall be composed of at least three members of the Board (one of whom should be an independent director). The Corporate Governance Committee shall review, evaluate and assess the effectiveness of the implementation of the processes and procedures provided for in the Corporate Governance Manual as well as the committees created pursuant to it. The Corporate Governance Committee reports directly to the Board and is required to meet at least twice a year.

Evaluation System and Compliance

As part of its system for monitoring and assessing compliance with the Manual and the Philippine SEC Code of Corporate Governance, each committee is required to report regularly to the Board of Directors and the Manual is subject to quarterly review. The Compliance Officer is responsible for determining and measuring compliance with the Manual and the Philippine SEC Code of Corporate Governance. Any violation of the Company's Corporate Governance Manual shall subject the responsible officer or employee to the following penalties:

- For a first violation, the offender shall be reprimanded.
- For a second violation, suspension from office shall be imposed on the offender. The duration of suspension shall depend on the gravity of the violation. This penalty shall not apply to the members of the Board of Directors.
- For a third violation, the maximum penalty of removal from office shall be imposed on the offender. In case the offender is a member of the Board of Directors, the provision of Section 28 of the Corporation Code shall be observed.

PART V - EXHIBITS AND SCHEDULES

Item 14. Exhibits and Reports on SEC Form 17-C

a) Exhibits

Exhibit No.	Description of Exhibit
1	Audited Consolidated Financial Statements as of December 31, 2013 and 2012

b) Reports on SEC Form 17-C

The following reports have been submitted by the Company during the year 2014 through official disclosure letters:

Date	Disclosures
November 12, 2013	Postponement of the 2013 Annual Shareholders' Meeting
January 22, 2014	Election of Committees Pursuant to the Corporate Governance Manual
February 14, 2014	Amendments to the Articles of Incorporation and By-laws
March 5, 2014	List of Stockholders as of Record Date for Written Assent
March 12, 2014	Approval of Amendment to Articles of Incorporation
March 17, 2014	Investor Briefing Invitation
March 18, 2014	Notice of Resignation of an Officer
March 19, 2014	Press Release: Travellers International Shares 2013 Full Year Disclosure
March 19, 2014	Approval of Amended By-Laws

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Pasay on March 18, 2014.

By:



KINGSON SIAN
Principal Executive Officer



STEPHEN JAMES REILY
Principal Operating Officer



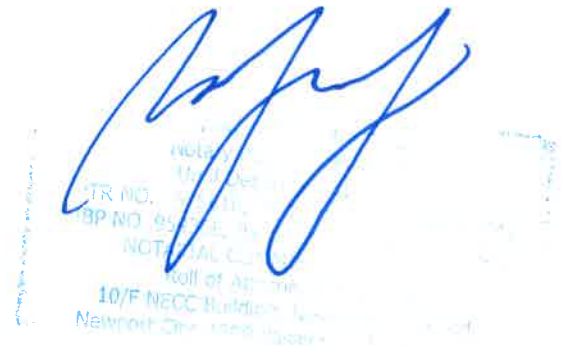
BERNARD THAN BOON TEONG
Principal Financial Officer

SUBSCRIBED AND SWORN to before me this MAR 19 2014 day of 20 affiant(s) exhibiting to me his/their Residence Certificates, as follows:

NAMES	RES. CERT. NO.	DATE OF ISSUE	PLACE OF ISSUE
<u>KINGSON SIAN</u>		<u>/ PASSPORT NO. E07369260</u>	<u>valid until 11 Feb 2018</u>
<u>STEPHEN JAMES REILY</u>		<u>/ PASSPORT NO. 099237971</u>	<u>valid until 18 Jan 2022</u>
<u>BERNARD THAN BOON TEONG</u>		<u>/ PASSPORT NO. A24320786</u>	<u>valid until 10 May 2016</u>

Notary Public

DOC. NO. 108
PAGE NO. 37
BOOK NO. I
Series of 2014





103192014002001

**SECURITIES AND EXCHANGE COMMISSION**

SECBuilding,EDSA,Greenhills,MandaluyongCity,MetroManila,Philippines
Tel:(632)726-0931 to 39 Fax:(632)725-5293 Email: mis@sec.gov.ph

Barcode Page

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Receiving Officer/Encoder : Edmundo Guia

Receiving Branch : SEC Head Office

Receipt Date and Time : March 19, 2014 03:35:52 PM

Received From : Head Office

Company Representative

Doc Source

Company Information

SEC Registration No. CS200342649

Company Name TRAVELLERS INTERNATIONAL HOTEL GROUP, INC. DOI-
NG BUSINESS UNDER THE NAME AND STYLE OF: MAXIMS MANIL.

Industry Classification Real Estate Activities

Company Type Stock Corporation

Document Information

Document ID 103192014002001

Document Type FS-CONSOLIDATED

Document Code FS-C

Period Covered December 31, 2013

No. of Days Late 0

Department CRMD

Remarks

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS

The management of Travellers International Hotel Group, Inc. and Subsidiaries is responsible for the preparation and fair presentation of the consolidated financial statements as of and for the three years ended December 31, 2013 and 2012 (with comparative figures for December 31, 2012 and 2011), including the additional components attached therein, in accordance with Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the consolidated financial statements and submit the same to the stockholders.

Punongbayan & Araullo, the independent auditors, appointed by the stockholders, has examined the consolidated financial statements of the Group in accordance with Philippine Standards on Auditing, and in its report to the Board of Directors and stockholders has expressed its opinion on the fairness of presentation upon completion of such examination.

Signed under oath by the following

Signature :  DAVID CHUA MING HUAT

Chairman

Signature :  KINGSON SIAN

President

Signature :  BERNARD THAN BOON TEONG

Chief Financial Officer

Signed this MAR 15 2014 day of _____

REPUBLIC OF THE PHILIPPINES)
PASAY CITY) S.S.

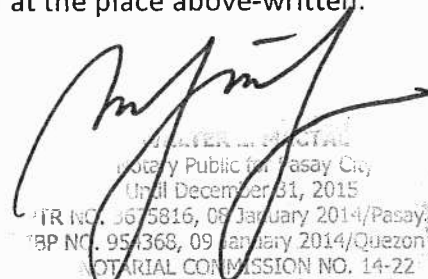
SUBSCRIBED AND SWORN to before me this 15th day of March 2014 in Pasay City, affiants exhibiting to me the following as competent evidence of their identity:

NAME	COMPETENT EVIDENCE OF IDENTITY
DAVID CHUA MING HUAT	Passport No. A26767418 valid until 12 December 2017
KINGSON U. SIAN	Passport No. EB7369260 valid until 11 February 2018
BERNARD THAN BOON TEONG	Passport No. A24320788 valid until 10 May 2016

WITNESS MY HAND AND SEAL, on the date and at the place above-written.

Doc. No. 180;
Page No. 32;
Book No. I;
Series of 2014.




WALTER L. MACTAL
Notary Public for Pasay City
Until December 31, 2015
PTR NO. 3675816, 08 January 2014/Pasay City
TBP NO. 954368, 09 January 2014/Quezon City
NOTARIAL COMMISSION NO. 14-22
Roll of Attorney No. 57277
10/F NECC Building, Newport Boulevard,
Newport City, 1305 Pasay City, Metro Manila

COVER SHEET

C S 2 0 0 3 - 4 2 6 4 9

SEC Registration Number

T R A V E L L E R S I N T E R N A T I O N A L H O T E L
G R O U P , I N C . A N D S U B S I D I A R I E S

(Company's Full Name)

10 / F N E W P O R T E N T E R T A I N M E N T & C O M
M E R C I A L C E N T R E N E W P O R T B O U L E V A R D ,
N E W P O R T C Y B E R T O U R I S M E C O N O M I C
Z O N E , P A S A Y C I T Y

(Business Address: No. Street City/Town/Province)

Bernard Than Boon Teong
(Contact Person)

632-908-8000
(Company Telephone Number)

1 2 3 1
Month Day
(Fiscal Year)

A F S
(Form Type)

Every Second Friday of June
(Annual Meeting)

N.A.
(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

21*
Total No. of Stockholders

Total Amount of Borrowings
Domestic Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

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Report of Independent Auditors

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The Board of Directors and Stockholders
Travellers International Hotel Group, Inc.
and Subsidiaries
(A Subsidiary of Alliance Global Group, Inc.)
10/F Newport Entertainment & Commercial Centre
Newport Boulevard, Newport Cyber tourism Economic Zone
Pasay City

We have audited the accompanying consolidated financial statements of Travellers International Hotel Group, Inc. and subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2013 and 2012, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2013, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.



An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Travellers International Hotel Group, Inc. and subsidiaries as at December 31, 2013 and 2012, and their consolidated financial performance and their consolidated cash flows for each of the three years in the period ended December 31, 2013 in accordance with Philippine Financial Reporting Standards.

PUNONGBAYAN & ARAULLO


By: **Nelson J. Dinio**
Partner

CPA Reg. No. 0097048
TIN 201-771-632
PTR No. 4225008, January 2, 2014, Makati City
SEC Group A Accreditation
Partner - No. 1036-AR-1 (until Aug. 21, 2016)
Firm - No. 0002-FR-3 (until Jan. 18, 2015)
BIR AN 08-002511-32-2013 (until Nov. 7, 2016)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2015)

February 27, 2014

TRAVELLERS INTERNATIONAL HOTEL GROUP, INC. AND SUBSIDIARIES
(A Subsidiary of Alliance Global Group, Inc.)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2013 AND 2012
(With Corresponding Figures as of January 1, 2012)
(Amounts in Philippine Pesos)

	Notes	December 31, 2013	December 31, 2012 (As Restated – see Note 2)	January 1, 2012 (As Restated – see Note 2)
<u>A S S E T S</u>				
CURRENT ASSETS				
Cash and cash equivalents	5	P 25,775,504,641	P 16,913,702,429	P 18,307,686,647
Trade and other receivables	6	3,043,280,454	2,414,802,453	1,862,385,367
Advances to related parties	21	160,722,254	188,973,468	127,244,189
Inventories	7	207,242,030	145,565,733	123,373,203
Prepayments and other current assets	8	284,945,836	256,675,729	198,506,627
Total Current Assets		<u>29,471,695,215</u>	<u>19,919,719,812</u>	<u>20,619,196,033</u>
NON-CURRENT ASSETS				
Available-for-sale financial assets	26	49,880,000	40,570,000	27,470,000
Investments in associates	9	156,250,000	156,250,000	156,250,000
Property and equipment - net	10	29,200,648,007	25,808,488,191	22,797,030,820
Investment property - net	11	1,670,869,491	1,393,990,450	1,446,111,040
Deferred tax assets	20	12,437,366	15,304,792	10,927,287
Other non-current assets	12	663,955,473	632,458,075	538,393,863
Total Non-current Assets		<u>31,754,040,337</u>	<u>28,047,061,508</u>	<u>24,976,183,010</u>
TOTAL ASSETS		<u>P 61,225,735,552</u>	<u>P 47,966,781,320</u>	<u>P 45,595,379,043</u>
<u>LIABILITIES AND EQUITY</u>				
CURRENT LIABILITIES				
Interest-bearing loans and borrowings	13	P 1,603,268,951	P 2,631,814,400	P 2,702,958,427
Trade and other payables	14	7,312,519,510	5,430,304,557	5,291,107,260
Dividends payable	22	1,299,210,000	-	-
Advances from related parties	21	161,969,303	21,552,014	3,953,322
Income tax payable		5,769,875	8,040,450	6,596,788
Total Current Liabilities		<u>10,382,737,639</u>	<u>8,091,711,421</u>	<u>8,004,615,797</u>
NON-CURRENT LIABILITIES				
Interest-bearing loans and borrowings	13	2,968,477,555	4,524,481,108	4,636,629,523
Notes payable	15	13,095,218,012	12,098,888,653	12,848,121,514
Derivative liability	15	1,145,961,938	1,246,123,668	1,163,772,181
Retirement benefit obligation	19	83,677,770	102,951,396	77,294,177
Other non-current liabilities	21	121,818,390	665,820,307	90,647,284
Total Non-current Liabilities		<u>17,415,153,665</u>	<u>18,638,265,132</u>	<u>18,816,464,679</u>
Total Liabilities		<u>27,797,891,304</u>	<u>26,729,976,553</u>	<u>26,821,080,476</u>
EQUITY				
Capital stock	22	10,000,000,000	10,000,000,000	10,000,000,000
Additional paid-in capital	22	22,417,157,066	5,821,627,500	5,821,627,500
Treasury shares, at cost	22	(8,324,412,515)	(8,584,100,000)	(4,300,000,000)
Revaluation reserves	26	46,604,602	10,388,665	(2,001,335)
Retained earnings	22	9,288,495,095	13,988,888,602	7,254,672,402
Total Equity		<u>33,427,844,248</u>	<u>21,236,804,767</u>	<u>18,774,298,567</u>
TOTAL LIABILITIES AND EQUITY		<u>P 61,225,735,552</u>	<u>P 47,966,781,320</u>	<u>P 45,595,379,043</u>

See Notes to Consolidated Financial Statements.

TRAVELLERS INTERNATIONAL HOTEL GROUP, INC. AND SUBSIDIARIES
(A Subsidiary of Alliance Global Group, Inc.)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011
(Amounts in Philippine Pesos)

	Notes	2013	2012 (As Restated – see Note 2)	2011 (As Restated – see Note 2)
NET REVENUES				
Gaming	2, 21	P 30,003,598,507	P 28,058,258,093	P 25,427,754,672
Non-gaming:				
Hotel, food, beverage and others	2	2,502,498,641	2,138,225,200	1,908,907,525
Other operating income	17	875,560,158	880,710,104	745,548,914
		<u>33,381,657,306</u>	<u>31,077,193,397</u>	<u>28,082,211,111</u>
Less: Promotional allowance	2	<u>2,533,628,373</u>	<u>1,687,446,005</u>	<u>1,407,390,806</u>
		<u>30,848,028,933</u>	<u>29,389,747,392</u>	<u>26,674,820,305</u>
DIRECT COSTS	16	<u>12,107,719,504</u>	<u>10,111,138,294</u>	<u>9,664,618,548</u>
GROSS PROFIT		<u>18,740,309,429</u>	<u>19,278,609,098</u>	<u>17,010,201,757</u>
GENERAL AND ADMINISTRATIVE EXPENSES	16	<u>14,123,148,656</u>	<u>11,818,861,493</u>	<u>9,807,179,846</u>
OPERATING PROFIT		<u>4,617,160,773</u>	<u>7,459,747,605</u>	<u>7,203,021,911</u>
OTHER INCOME (CHARGES)	18			
Finance costs		(2,036,794,564)	(1,430,118,362)	(2,830,424,091)
Finance income		<u>225,815,470</u>	<u>772,741,044</u>	<u>549,340,090</u>
		<u>(1,810,979,094)</u>	<u>(657,377,318)</u>	<u>(2,281,084,001)</u>
PROFIT BEFORE TAX		<u>2,806,181,679</u>	<u>6,802,370,287</u>	<u>4,921,937,910</u>
TAX EXPENSE	20	<u>66,665,186</u>	<u>68,154,087</u>	<u>97,694,553</u>
NET PROFIT FOR THE YEAR		<u>2,739,516,493</u>	<u>6,734,216,200</u>	<u>4,824,243,357</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Item that will not be reclassified subsequently to profit or loss				
Actuarial gain (loss) on remeasurement of retirement benefit obligation	19	49,336,099	-	(6,779,847)
Tax income (expense)	20	(13,362,162)	-	1,252,162
		<u>35,973,937</u>	<u>-</u>	<u>(5,527,685)</u>
Item that will be reclassified subsequently to profit or loss				
Net unrealized fair value gains (losses) on available-for-sale financial assets	26	<u>242,000</u>	<u>12,390,000</u>	<u>(1,473,650)</u>
		<u>36,215,937</u>	<u>12,390,000</u>	<u>(7,001,335)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>P 2,775,732,430</u>	<u>P 6,746,606,200</u>	<u>P 4,817,242,022</u>
Earnings Per Share :	28			
Basic		<u>P 0.31</u>	<u>P 6.73</u>	<u>P 4.82</u>
Diluted		<u>P 0.19</u>	<u>P 6.73</u>	<u>P 4.82</u>

See Notes to Consolidated Financial Statements.

TRAVELLERS INTERNATIONAL HOTEL GROUP, INC. AND SUBSIDIARIES
(A Subsidiary of Alliance Global Group, Inc.)
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011
(Amounts in Philippine Pesos)

	Notes	Capital Stock	Additional Paid-in Capital	Treasury Shares	Revaluation Reserves	Retained Earnings	Total
Balance at January 1, 2013							
As previously reported		P 10,000,000,000	P 5,821,627,500	(P 8,584,100,000)	P 15,916,350	P 14,003,179,419	P 21,256,623,269
Effect of adoption of PAS 19	2	-	-	-	(5,527,685)	(14,290,817)	(19,818,502)
As restated		10,000,000,000	5,821,627,500	(8,584,100,000)	10,388,665	13,988,888,602	21,236,804,767
Issuances during the year	22	-	16,595,529,566	259,687,485	-	-	16,855,217,051
Cash dividends	22	-	-	-	-	(7,439,910,000)	(7,439,910,000)
Total comprehensive income for the year		-	-	-	36,215,937	2,739,516,493	2,775,732,430
 Balance at December 31, 2013		 <u>P 10,000,000,000</u>	 <u>P 22,417,157,066</u>	 <u>(P 8,324,412,515)</u>	 <u>P 46,604,602</u>	 <u>P 9,288,495,095</u>	 <u>P 33,427,844,248</u>
 Balance at January 1, 2012							
As previously reported		P 10,000,000,000	P 5,821,627,500	(P 4,300,000,000)	P 3,526,350	P 7,268,963,219	P 18,794,117,069
Effect of adoption of PAS 19	2	-	-	-	(5,527,685)	(14,290,817)	(19,818,502)
As restated		10,000,000,000	5,821,627,500	(4,300,000,000)	(2,001,335)	7,254,672,402	18,774,298,567
Acquisitions during the year	22	-	-	(4,284,100,000)	-	-	(4,284,100,000)
Total comprehensive income for the year		-	-	-	12,390,000	6,734,216,200	6,746,606,200
 Balance at December 31, 2012		 <u>P 10,000,000,000</u>	 <u>P 5,821,627,500</u>	 <u>(P 8,584,100,000)</u>	 <u>P 10,388,665</u>	 <u>P 13,988,888,602</u>	 <u>P 21,236,804,767</u>
 Balance at January 1, 2011							
Total comprehensive income for the year		-	-	-	(7,001,335)	4,824,243,357	4,817,242,022
 Balance at December 31, 2011		 <u>P 10,000,000,000</u>	 <u>P 5,821,627,500</u>	 <u>(P 4,300,000,000)</u>	 <u>(P 2,001,335)</u>	 <u>P 7,254,672,402</u>	 <u>P 18,774,298,567</u>

See Notes to Consolidated Financial Statements.

TRAVELLERS INTERNATIONAL HOTEL GROUP, INC. AND SUBSIDIARIES
(A Subsidiary of Alliance Global Group, Inc.)
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011
(Amounts in Philippine Pesos)

	Notes	2013	2012 (As Restated – see Note 2)	2011 (As Restated – see Note 2)
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		P 2,806,181,679	P 6,802,370,287	P 4,921,937,910
Adjustments for:				
Depreciation	16	2,100,495,592	1,709,967,602	1,376,017,233
Interest expense	18	1,226,431,676	1,056,904,123	1,478,136,971
Unrealized foreign exchange losses (gains) - net		562,741,568	(646,605,773)	92,781,699
Interest income	18	(225,815,469)	(212,108,499)	(549,340,090)
Unrealized loss on interest rate swap	18	112,842,001	368,646,466	1,163,772,181
Gain on sale of property and equipment	17	(1,823,976)	-	-
Operating profit before working capital changes		6,581,053,071	9,079,174,206	8,483,305,904
Increase in trade and other receivables		(732,554,812)	(900,036,873)	(83,453,285)
Decrease (increase) in advances to related parties		28,251,214	(22,192,530)	(24,435,924)
Increase in inventories		(61,676,297)	(61,729,279)	(52,727,539)
Decrease (increase) in prepayments and other current assets		(42,813,577)	34,253,981	124,582,832
Increase in trade and other payables		2,150,116,950	310,384,060	877,750,983
Increase (decrease) in advances from related parties		140,417,289	17,598,692	(128,232,136)
Increase (decrease) in retirement benefit obligation		16,700,311	20,022,473	(12,410,597)
Increase (decrease) in other non-current liabilities		(544,001,917)	575,173,023	55,628,659
Cash generated from operations		7,535,492,232	9,052,647,753	9,240,008,897
Cash paid for income taxes		(64,948,221)	(55,107,326)	(78,658,219)
Net Cash From Operating Activities		7,470,544,011	8,997,540,427	9,161,350,678
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of property and equipment	10	(5,570,382,127)	(4,386,526,794)	(4,471,250,873)
Interest received		237,298,835	316,074,070	563,934,311
Increase in other non-current assets		(31,497,398)	(94,064,212)	(454,507,626)
Additional investments in available-for-sale financial assets		(9,068,000)	(710,000)	(2,443,650)
Additional investments in time deposits	5, 8	-	(108,403,687)	-
Acquisition of investments in an associate		-	-	(156,250,000)
Additions to investment property		-	-	(42,197,366)
Net Cash Used in Investing Activities		(5,373,648,690)	(4,273,630,623)	(4,562,715,204)
Balance Carried Forward		P 2,096,895,321	P 4,723,909,804	P 4,598,635,474

	Note	2013	2012 (As Restated – see Note 2)	2011 (As Restated – see Note 2)
<i>Balance Brought Forward</i>		P 2,096,895,321	P 4,723,909,804	P 4,598,635,474
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issuances of shares of stock	22	16,780,217,051	-	-
Dividends paid	22	(6,140,700,000)	-	-
Repayments of interest-bearing loans and borrowings		(2,634,716,000)	(196,786,935)	(514,317,644)
Interest paid		(1,221,553,482)	(1,714,640,588)	(1,393,760,128)
Payments of derivative liability		(300,675,000)	(206,587,262)	-
Acquisition of treasury shares	22	-	(4,284,100,000)	(1,720,000,000)
Net Cash From (Used in) Financing Activities		6,482,572,569	(6,402,114,785)	(3,628,077,772)
Effects of Exchange Rates Changes on Cash and Cash Equivalents		282,334,322	284,220,763	(30,597,181)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		8,861,802,212	(1,393,984,218)	939,960,521
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		16,913,702,429	18,307,686,647	17,367,726,126
CASH AND CASH EQUIVALENTS AT END OF YEAR		P 25,775,504,641	P 16,913,702,429	P 18,307,686,647

Supplemental Information on Non-Cash Investing Activities:

- 1) The Group capitalized borrowing costs amounting to P222.4 million, P282.8 million, P74.0 million in 2013, 2012 and 2011, respectively, representing the actual borrowing costs, net of related investment income, incurred on loans obtained for the development of a portion of the Group's properties (see Note 10).
- 2) In 2013, the Group transferred certain Property and Equipment used for vehicle parking spaces amounting to P339.6 million to Investment Property (see Notes 10 and 11).
- 3) In 2013, certain portion of construction in progress amounting to P235.5 million were transferred to a related party at cost, the outstanding liability and receivable of which remain unpaid as of December 31, 2013 (see Notes 10 and 21.8).
- 4) Also in 2013, the Group sold certain transportation equipment to a third party for a total consideration of P25.0 million, which remains unpaid as of December 31, 2013 (see Note 10).

See Notes to Consolidated Financial Statements.

TRAVELLERS INTERNATIONAL HOTEL GROUP, INC. AND SUBSIDIARIES
(A Subsidiary of Alliance Global Group, Inc.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Amounts in Philippine Pesos)

1. CORPORATE INFORMATION

Travellers International Hotel Group, Inc. (the Company) was incorporated in the Philippines on December 17, 2003 primarily to engage in the business of hotels, restaurants, leisure parks, entertainment centers and other related businesses, which include holding investments in and operating casinos and other gaming activities as part of its main operations. On October 14, 2010, the Philippine Securities and Exchange Commission (SEC) approved the Company's amendment to its Articles of Incorporation, as approved in a resolution by the Company's stockholders on August 29, 2010, to include in its primary purposes the guaranteeing of obligations of unconsolidated entities. The Company's casinos and restaurants in Resorts World Manila started commercial operations on August 28, 2009 while the Company's hotel and restaurant operations in Maxims Manila Hotel (Maxims), Marriott Hotel Manila (Marriott) and Remington Hotel started on various dates in 2009 to 2011. The Company engages in casino operations under the Provisional License Agreement with the Philippine Amusement and Gaming Corporation (PAGCOR) dated June 2, 2008 (see Note 23.3).

The Company's common shares were listed and traded in the Philippine Stock Exchange (PSE) beginning November 5, 2013 (see Note 22.1).

As at December 31, 2013, 2012 and 2011, the Company holds direct ownership interests in the following companies (together with the Company, collectively referred to as "the Group") that were established to engage in businesses related to the main business of the Company:

<u>Name of Subsidiaries/Associates</u>	<u>Explanatory Notes</u>	<u>Percentage of Ownership</u>		
		<u>2013</u>	<u>2012</u>	<u>2011</u>
Subsidiaries:				
APEC Assets Limited (APEC)	(a)	100.0%	100.0%	100.0%
BrightLeisure Management, Inc. (BLMI)	(b)	100.0%	100.0%	100.0%
Bright Pelican Leisure and Recreation, Inc. (BPLRI)	(c)	100.0%	-	-
Deluxe Hotels and Recreation, Inc. (DHRI)	(c)	100.0%	100.0%	-
Entertainment City Integrated Resorts & Leisure, Inc. (ECIRLI)	(c)	100.0%	100.0%	-
FHTC Entertainment & Productions Inc. (FHTC)	(d)	100.0%	-	-
Grand Integrated Hotels and Recreation, Inc. (GIHRI)	(c)	100.0%	100.0%	100.0%
GrandServices, Inc. (GSI)	(b)	100.0%	100.0%	100.0%
GrandVenture Management Services, Inc. (GVMSI)	(b)	100.0%	100.0%	100.0%

Name of Subsidiaries/Associates	Explanatory Notes	Percentage of Ownership		
		2013	2012	2011
Subsidiaries:				
Lucky Star Hotels and Recreation, Inc. (LSHRI)	(c)	100.0%	100.0%	-
Majestic Sunrise Leisure & Recreation, Inc. (MSLRI)	(c)	100.0%	100.0%	-
Net Deals, Inc. (NDI)	(e)	100.0%	100.0%	-
Newport Star Lifestyle, Inc. (NSLI)	(f)	100.0%	100.0%	-
Royal Bayshore Hotels & Amusement, Inc. (RBHAI)	(c)	100.0%	100.0%	-
Yellow Warbler Leisure and Recreation, Inc. (YWLRI)	(c)	100.0%	-	-
Associates:				
Genting-Star Tourism Academy, Inc. (GSTAI)	(g)	50.0%	50.0%	50.0%
Manila Bayshore Property Holdings, Inc. (MBPHI)	(h)	50.0%	50.0%	50.0%

Notes:

- (a) A foreign corporation established to provide air transportation services to valued patrons of the Company.
- (b) Established to provide manpower needs in the casino, hotel, food and beverage operations of the Company.
- (c) Established to acquire, manage, operate, own, lease, maintain, and/or engage in the business of hotels, shopping malls, restaurants, theaters, cinema houses, leisure and recreational facilities, private clubs, motels and/or motor lodges.
- (d) Established to engage in productions of performing arts/theater, music, motion picture, concert, dance and ballet, audio recording, interactive media production, entertainment technology, marketing and distribution, animation, publishing, set and prop design, acting education, photography, video editing and post production, script writing, art conceptualization, advertising and public relations.
- (e) Established to conduct and carry on the business of web and internet solutions, promotion and marketing of business establishments, locally and abroad, with the use of the web and the internet as its primary medium.
- (f) Established to facilitate enhancements to services of various institutions, within and outside the Philippines by providing related services to promote the sale consumption, utilization and patronage of goods, merchandise and services of producers, retailers, wholesalers and traders.
- (g) Engaged in providing education, technical or vocational training programs, courses and facilities within the travel and tourism industry.
- (h) Established to engage in real estate business, particularly construction of condominium units and buildings.

The Company's subsidiaries and associates are all incorporated in the Philippines, except for APEC which is incorporated in the British Virgin Islands. The principal place of business of these subsidiaries and associates is in Metro Manila, Philippines.

As at December 31, 2013, BPLRI, DHRI, ECIRLI, FHTC, LSHRI, MSLRI, NSLI, RBHAI and YWLRI have not yet started commercial operations.

As at December 31, 2013, 2012 and 2011, the following stakeholders have direct ownership interests in the Company's outstanding common shares:

Name of Stockholders	Explanatory Notes	Percentage of Ownership		
		2013	2012	2011
Adams Properties, Inc. (Adams)	(a)	22.5%	25.0%	25.0%
Alliance Global Group, Inc. (AGI)	(b)	18.0%	20.0%	20.0%
Star Cruises Philippines Holdings B.V. (SCP)	(c)	18.0%	20.0%	20.0%
Asian Travellers Ltd. (ATL)	(d)	11.3%	12.6%	12.6%
Megaworld Corporation (Megaworld)	(e)	9.0%	10.0%	10.0%
Premium Travellers Ltd. (PTL)	(d)	6.6%	7.4%	7.4%
First Centro, Inc. (FCI)	(f)	4.5%	5.0%	5.0%
Public ownership		10.1%	-	-
		100%	100%	100%

Notes:

- (a) A domestic company with registered office located at 7th Floor, 1880 Eastwood Avenue, Eastwood City CyberPark, 188 E. Rodriguez, Jr. Avenue, Bagumbayan, Quezon City.
- (b) A publicly listed domestic holding company with diversified investments in real estate, food and beverage, quick service restaurant, and tourism-entertainment and gaming businesses. The registered office of AGI is located at 7th Floor, 1880 Eastwood Avenue, Eastwood City CyberPark, 188 E. Rodriguez, Jr. Avenue, Bagumbayan, Quezon City.
- (c) A foreign holding entity, wholly owned by Genting Hongkong Limited (GHL, formerly Star Cruises HK Limited), duly incorporated and with registered offices at Strawinskylaan 3105 Atrium, 1077 ZX Amsterdam, The Netherlands.
- (d) Foreign entities duly incorporated and with registered offices at Portcullis TrustNet (BVI) Limited of Portcullis TrustNet Chambers, Road Town, Tortola, British Virgin Islands.
- (e) A publicly listed subsidiary of AGI which is presently engaged in property-related activities, such as, project design, construction and property management. The registered office of Megaworld is located at 28th Floor, The World Centre, 330 Sen. Gil Puyat Avenue, Makati City.
- (f) A wholly owned subsidiary of AGI engaged in the business of developing and selling its own real estate properties and acting as agent or broker for sale transactions of real properties of other entities. The registered office of FCI is located at 10th Floor, The Richmonde Hotel, 21 San Miguel Avenue corner Lourdes Street, Ortigas Center, Pasig City.

In 2012, the Company became a subsidiary of AGI as the latter obtained the power to govern the financial and operating policies and direct other relevant activities of the Company.

Starting April 2011, the Company's registered office, which is also its principal place of business, is located at 10/F Newport Entertainment & Commercial Centre, Newport Boulevard, Newport Cybertourism Economic Zone, Pasay City. Formerly, its registered office is located at 5th/Flr Star Cruises Center, 100 Andrews Avenue, Pasay City.

The consolidated financial statements of the Group for the year ended December 31, 2013 (including the comparative financial statements for the year ended December 31, 2012 and the corresponding figures as of January 1, 2012) were authorized for issue by the Company's Board of Directors (BOD) on February 27, 2014.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarized below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 *Basis of Preparation of Consolidated Financial Statements*

(a) *Statement of Compliance with Philippine Financial Reporting Standards*

The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council from the pronouncements issued by the International Accounting Standards Board (IASB).

The consolidated financial statements have been prepared using the measurement bases specified by PFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.

(b) *Presentation of Consolidated Financial Statements*

The consolidated financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The Group presents all items of income and expenses in a single statement of comprehensive income.

The Group presents a third statement of financial position as at the beginning of the preceding period when it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the statement of financial position at the beginning on the preceding period. The related notes to the third statement of financial position are not required to be disclosed.

The Group's adoption of PAS 19 (Revised), *Employee Benefits*, resulted in retrospective restatements on certain accounts in the comparative consolidated financial statements for December 31, 2012 and in the corresponding figures as of January 1, 2012 [see Note 2.2(a)(ii)]. Accordingly, the Group presents a third consolidated statement of financial position as of January 1, 2012 without the related notes, except for the disclosures required under PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*. Furthermore, certain accounts in the 2012 and 2011 consolidated statements of comprehensive income were reclassified to conform to the current year presentation, which did not result in a material impact on the Company's consolidated financial statements.

(c) *Functional and Presentation Currency*

These consolidated financial statements are presented in Philippine pesos, the Group's functional and presentation currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the consolidated financial statements of the Group are measured using its functional currency. Functional currency is the currency of the primary economic environment in which the Group operates.

2.2 Adoption of New and Amended PFRS

(a) Effective in 2013 that are Relevant to the Group

In 2013, the Group adopted the following new PFRS, revisions, amendments and improvements thereto that are relevant to the Group and effective for consolidated financial statements for the annual period beginning on or after July 1, 2012 or January 1, 2013:

PAS 1 (Amendment)	:	Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income
PAS 19 (Revised)	:	Employee Benefits
PFRS 7 (Amendment)	:	Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities
PFRS 10	:	Consolidated Financial Statements
PFRS 11	:	Joint Arrangements
PFRS 12	:	Disclosures of Interests in Other Entities
PAS 27 (Revised)	:	Separate Financial Statements
PAS 28 (Revised)	:	Investments in Associates and Joint Ventures
PFRS 10, 11 and 12 (Amendments)	:	Amendments to PFRS 10, 11 and 12 Transition Guidance to PFRS 10, 11 and 12
PFRS 13	:	Fair Value Measurement
Annual Improvements	:	Annual Improvements to PFRS (2009-2011 Cycle)

Discussed below are the relevant information about these new, revised and amended standards.

- (i) PAS 1 (Amendment), *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income* (effective from July 1, 2012). The amendment requires an entity to group items presented in other comprehensive income into those that, in accordance with other PFRS: (a) will not be reclassified subsequently to profit or loss; and, (b) will be reclassified subsequently to profit or loss when specific conditions are met. The amendment has been applied retrospectively; hence, the presentation of other comprehensive income has been modified to reflect the changes. This amendment affected presentation aspect only and had no significant impact on the Group's consolidated financial position or performance. Prior period comparatives have been restated as a consequence of this change in presentation.

(ii) PAS 19 (Revised), *Employee Benefits* (effective from January 1, 2013). The revised standard made a number of changes to the accounting for employee benefits. The most significant changes relate to defined benefit plan as follows:

- eliminates the corridor approach and requires the recognition of remeasurements (including actuarial gains and losses) arising in the reporting period in other comprehensive income;
- changes the measurement and presentation of certain components of the defined benefit cost. The net amount in profit or loss is affected by the removal of the expected return on plan assets and interest cost components and their replacement by a net interest expense or income based on the net defined benefit liability or asset; and,
- enhances disclosure requirements, including information about the characteristics of defined benefit plans and the risks that entities are exposed to through participation in those plans.

The Group has applied PAS 19 (Revised) retrospectively in accordance with its transitional provisions. Consequently, it restated the comparative consolidated financial statements for December 31, 2012 and the corresponding figures as of January 1, 2012. The effect of the restatement on the affected liability and equity components is shown below.

December 31, 2012			
	As Previously Reported	Effect of Adoption of PAS 19 (Revised)	As Restated
<i>Change in liability –</i>			
Retirement benefit obligation	P 83,132,894	P 19,818,502	P 102,951,396
<i>Changes in components of equity:</i>			
Retained earnings	P 14,003,179,419	(P 14,290,817)	P 13,988,888,602
Revaluation reserves	15,916,350	(5,527,685)	10,388,665
Decrease in equity		(P 19,818,502)	
January 1, 2012			
	As Previously Reported	Effect of Adoption of PAS 19 (Revised)	As Restated
<i>Change in liability –</i>			
Retirement benefit obligation	P 57,475,675	P 19,818,502	P 77,294,177
<i>Changes in components of equity:</i>			
Retained earnings	P 7,268,963,219	(P 14,290,817)	P 7,254,672,402
Revaluation reserves	3,526,350	(5,527,685)	(2,001,335)
Decrease in equity		(P 19,818,502)	

The effects of the adoption of PAS 19(Revised) on the consolidated statements of comprehensive income for the years ended December 31, 2012 and 2011 are shown in the next page.

	December 31, 2012		
	As Previously Reported	Effect of Adoption of PAS 19 (Revised)	As Restated
<i>Changes in profit or loss:</i>			
General and administrative expenses	P11,824,496,239	(P 5,634,746)	P 11,818,861,493
Finance costs	1,424,483,616	<u>5,634,746</u>	1,430,118,362
Net decrease in net profit for the year		<u>P -</u>	

The adoption of PAS 19 (Revised) did not result in a change on the amount of other comprehensive income reported in the 2012 consolidated statement of comprehensive income as there were no actuarial gains or losses on remeasurements of retirement benefit obligation during the year.

	December 31, 2011		
	As Previously Reported	Effect of Adoption of PAS 19 (Revised)	As Restated
<i>Changes in profit or loss:</i>			
General and administrative expenses	P 9,799,737,875	P 7,441,971	P 9,807,179,846
Finance costs	2,823,575,245	<u>6,848,846</u>	2,830,424,091
Net decrease in profit for the year		<u>P 14,290,817</u>	
<i>Change in other comprehensive loss –</i>			
Remeasurements of retirement benefit obligation	<u>P -</u>	<u>P 5,527,685</u>	<u>P 5,527,685</u>

The effects of the adoption of PAS 19 (Revised) on the consolidated statements of cash flows for the years ended December 31, 2012 and 2011 are shown below.

	December 31, 2012		
	As Previously Reported	Effect of Adoption of PAS 19 (Revised)	As Restated
<i>Changes in cash flows:</i>			
Interest expense	P 1,051,269,377	P 5,634,746	P 1,056,904,123
Increase in retirement benefit obligation	25,657,219	(<u>5,634,746</u>)	20,022,473
		<u>P -</u>	
	December 31, 2011		
	As Previously Reported	Effect of Adoption of PAS 19 (Revised)	As Restated
<i>Changes in cash flows:</i>			
Profit before tax	P 4,936,228,727	(P 14,290,817)	P 4,921,937,910
Interest expense	1,471,288,125	6,848,846	1,478,136,971
Decrease in retirement benefit obligation	(19,852,568)	<u>7,441,971</u>	(12,410,597)
		<u>P -</u>	

The adoption of PAS 19 (Revised) did not have a material impact on the Group's basic and diluted earnings per share (see Note 28).

- (iii) PFRS 7 (Amendment), *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities* (effective from January 1, 2013). The amendment requires qualitative and quantitative disclosures relating to gross and net amounts of recognized financial instruments that are set-off in accordance with PAS 32, *Financial Instruments: Presentation*. The amendment also requires disclosure of information about recognized financial instruments which are subject to enforceable master netting arrangements or similar agreements, even if they are not set-off in the statement of financial position, including those which do not meet some or all of the offsetting criteria under PAS 32 and amounts related to a financial collateral. These disclosures allow financial statement users to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with recognized financial assets and financial liabilities on the entity's statement of financial position. This amendment did not have a significant impact on the Group's consolidated financial statements as the Group is not setting off financial instruments in accordance with PAS 32 and does not have relevant offsetting arrangements, except as disclosed in Note 21.6. In addition, potential offsetting arrangements are disclosed in Note 25.2.

- (iv) Consolidation, Joint Arrangements, Associates and Disclosures

This package of consolidation, joint arrangements, associates and disclosures standards comprises of PFRS 10, *Consolidated Financial Statements*, PFRS 11, *Joint Arrangements*, PFRS 12, *Disclosure of Interests in Other Entities*, PAS 27 (Revised 2011), *Separate Financial Statements* and PAS 28 (Revised 2011), *Investments in Associates and Joint Ventures*.

- PFRS 10 changes the definition of control focusing on three elements which determines whether the investor has control over the investee such as the (a) power over the investee, (b) exposure or rights to variable returns from involvement with the investee, and, (c) ability to use such power to affect the returns. This standard also provides additional guidance to assist in determining controls when this is difficult to assess, particularly in situation where an investor that owns less than 50% of the voting rights in an investee may demonstrate control to the latter.
- PFRS 11 deals with how a joint arrangement is classified and accounted for based on the rights and obligations of the parties to the joint arrangement by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. The option of using proportionate consolidation for arrangement classified as jointly controlled entities under the previous standard has been eliminated. This new standard now requires the use of equity method in accounting for arrangement classified as joint venture.
- PFRS 12 integrates and makes consistent the disclosure requirements for entities that have interest in subsidiaries, joint arrangements, associates, special purpose entities and unconsolidated structured entities. In general, this requires more extensive disclosures about the risks to which an entity is exposed from its involvement with structured entities.

- PAS 27 (revised) deals with the requirements pertaining solely to separate financial statements while PAS 28 (revised) includes the requirements for joint ventures, as well as for associates, to be accounted for using the equity method.

Subsequent to the issuance of these standards, amendments to PFRS 10, PFRS 11 and PFRS 12 were issued to clarify certain transitional guidance for the first-time application of the standards. The guidance clarifies that an entity is not required to apply PFRS 10 retrospectively in certain circumstances and clarifies the requirements to present adjusted comparatives. The guidance also made changes to PFRS 10 and PFRS 12 which provide similar relief from the presentation or adjustment of comparative information for periods prior to the immediately preceding period. Further, it provides relief by removing the requirement to present comparatives for disclosures relating to unconsolidated structured entities for any period before the first annual period for which PFRS 12 is applied.

The Group has evaluated the various facts and circumstances related to its interests in other entities and it has determined that the adoption of the foregoing standards had no material impact on the amounts recognized in these consolidated financial statements (see Note 2.3). Additional information, however, are disclosed in compliance with the requirements of PAS 27 (Revised) with respect to principal place of business and incorporation of the subsidiaries and associates (see Note 1).

- (v) PFRS 13, *Fair Value Measurement* (effective from January 1, 2013). This new standard clarifies the definition of fair value and provides guidance and enhanced disclosures about fair value measurements. The requirements under this standard do not extend the use of fair value accounting but provide guidance on how it should be applied to both financial instrument items and non-financial items for which other PFRSs require or permit fair value measurements, except in certain circumstances. This new standard applies prospectively from annual period beginning January 1, 2013; hence, disclosure requirements need not be presented in the comparative information in the first year of application.

Other than the additional disclosures presented in Note 26, the application of this new standard had no significant impact on the amounts recognized and disclosed in the consolidated financial statements.

- (vi) 2009 – 2011 Annual Improvements to PFRS. Annual improvements to PFRS (2009-2011 Cycle) made minor amendments to a number of PFRS. Among those improvements, the following are relevant to the Group:

(a) PAS 1 (Amendment), *Presentation of Financial Statements – Clarification of the Requirements for Comparative Information*. The amendment clarifies that a statement of financial position as at the beginning of the preceding period (third statement of financial position) is required when an entity applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the third statement of financial position. The amendment specifies that other than disclosure of certain specified information in accordance with PAS 8, related notes to the third consolidated statement of financial position are not required to be presented.

Consequent to the Group's adoption of PAS 19 (Revised) in the current year which resulted in retrospective restatement of the prior years' consolidated financial statements, the Group has presented a third consolidated statement of financial position as of January 1, 2012 without the related notes, except for the disclosure requirements of PAS 8.

- (b) PAS 16 (Amendment), *Property, Plant and Equipment – Classification of Servicing Equipment*. The amendment addresses a perceived inconsistency in the classification requirements for servicing equipment which resulted in classifying servicing equipment as part of inventory when it is used for more than one period. It clarifies that items such as spare parts, stand-by equipment and servicing equipment shall be recognized as property, plant and equipment when they meet the definition of property, plant and equipment, otherwise, these are classified as inventory. This amendment has no significant effect on the consolidated financial statements of the Group since it does not have such items which are covered by this amendment.
- (c) PAS 32 (Amendment), *Financial Instruments: Presentation – Tax Effect of Distributions to Holders of Equity Instruments*. The amendment clarifies that the consequences of income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction shall be accounted for in accordance with PAS 12, *Income Taxes*. Accordingly, income tax relating to distributions to holders of an equity instrument is recognized in profit or loss while income tax related to the transaction costs of an equity transaction is recognized in equity. This amendment had no significant impact on the Group's consolidated financial statements as it has been recognizing the effect of distributions to the holders of equity instruments and transaction costs of equity instruments in accordance with PAS 12.

(b) *Effective in 2013 that are not Relevant to the Group*

The following amendment, annual improvements and interpretation to PFRS are mandatory for accounting periods beginning on or after January 1, 2013 but are not relevant to the Group's consolidated financial statements:

PFRS 1 (Amendment)	:	First-time Adoption of PFRS – Government Loans
Annual Improvements PAS 34 (Amendment)	:	Interim Financial Reporting – Interim Financial Reporting and Segment Information for Total Assets and Liabilities
PFRS 1 (Amendment)	:	First-time Adoption of PFRS – Repeated Application of PFRS 1 and Borrowing Cost
Philippine Interpretation International Financial Reporting Interpretations Committee 20	:	Stripping Costs in the Production Phase of a Surface Mine

(c) *Effective Subsequent to 2013 but not Adopted Early*

There are new PFRS, amendments and annual improvements to existing standards that are effective for periods subsequent to 2013. The following pronouncements have initially been determined by management to be relevant to the Group and shall be applied by the Group in accordance with their transitional provisions:

- (i) PAS 19 (Amendment), *Employee Benefits: Defined Benefit Plans – Employee Contributions* (effective from January 1, 2014). The amendment clarifies that if the amount of the contributions from employees or third parties is dependent on the number of years of service, an entity shall attribute the contributions to periods of service using the same attribution method (i.e., either using the plan's contribution formula or on a straight-line basis) for the gross benefit. Management has initially determined that this amendment will have no impact on the Group's consolidated financial statements.
- (ii) PAS 32 (Amendment), *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities* (effective from January 1, 2014). The amendment provides guidance to address inconsistencies in applying the criteria for offsetting financial assets and financial liabilities. It clarifies that a right of set-off is required to be legally enforceable, in the normal course of business, in the event of default; and in the event of insolvency or bankruptcy of the entity and all of the counterparties. The amendment also clarifies the principle behind net settlement and provided characteristics of a gross settlement system with characteristics that would satisfy the criterion for net settlement. The Group does not expect this amendment to have a significant impact on its consolidated financial statements.

- (iii) PAS 36 (Amendment), *Impairment of Assets – Recoverable Amount Disclosures for Non-financial Assets* (effective from January 1, 2014). The amendment clarifies that the requirements for the disclosure of information about the recoverable amount of assets or cash-generating units is limited only to the recoverable amount of impaired assets that is based on fair value less cost of disposal. It also introduces an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount based on fair value less cost of disposal is determined using a present value technique. Management will reflect in its subsequent years' consolidated financial statements the changes arising from this relief on disclosure requirements, if applicable.
- (iv) PAS 39 (Amendment), *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting* (effective January 1, 2014). The amendment provides some relief from the requirements on hedge accounting by allowing entities to continue the use of hedge accounting when a derivative is novated to a clearing counterparty resulting in termination or expiration of the original hedging instrument as a consequence of laws and regulations, or the introduction thereof. As the Group neither enters into transactions involving derivative instruments nor it applies hedge accounting, the amendment will not have impact on the consolidated financial statements.
- (v) PFRS 9, *Financial Instruments: Clarification and Measurement*. This is the first part of a new standard on financial instruments that will replace PAS 39, *Financial Instruments: Recognition and Measurement*, in its entirety. The first phase of the standard was issued on November 2009 and October 2010 and contains new requirements and guidance for the classification, measurement and recognition of financial assets and financial liabilities. It requires financial assets to be classified into two measurement categories: amortized cost or fair value. Debt instruments that are held within a business model whose objective is to collect the contractual cash flows that represent solely payments of principal and interest on the principal outstanding are generally measured at amortized cost. All other debt instruments and equity instruments are measured at fair value. In addition, PFRS 9 allows entities to make an irrevocable election to present subsequent changes in the fair value of an equity instrument that is not held for trading in other comprehensive income.

The accounting for embedded derivatives in host contracts that are financial assets is simplified by removing the requirement to consider whether or not they are closely related, and, in most arrangements, does not require separation from the host contract.

For liabilities, the standard retains most of the PAS 39 requirements which include amortized cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in case where the fair value option is taken for financial liabilities, the part of a fair value change due to the liability's credit risk is recognized in other comprehensive income rather than in profit or loss, unless this creates an accounting mismatch.

In November 2013, the IASB has published amendments to International Financial Reporting Standard (IFRS) 9 that contain new chapter and model on hedge accounting that provides significant improvements principally by aligning hedge accounting more closely with the risk management activities undertaken by entities when hedging their financial and non-financial risk exposures. The amendment also now requires changes in the fair value of an entity's own debt instruments caused by changes in its own credit quality to be recognized in other comprehensive income rather in profit or loss. It also includes the removal of the January 1, 2015 mandatory effective date of IFRS 9.

To date, the remaining chapter of IFRS 9 and PFRS 9 dealing with impairment methodology is still being completed. Further, the IASB is currently discussing some limited modifications to address certain application issues regarding classification of financial assets and to provide other considerations in determining business model.

The Group does not expect to implement and adopt PFRS 9 until its effective date. In addition, management is currently assessing the impact of PFRS 9 on the consolidated financial statements of the Group and it will conduct a comprehensive study of the potential impact of this standard prior to its mandatory adoption date to assess the impact of all changes.

- (vi) PFRS 10, 12 and PAS 27 (Amendments) – *Investment Entities* (effective from January 1, 2014). The amendments define the term “investment entities,” provide supporting guidance, and require investment entities to measure investments in the form of controlling interest in another entity, at fair value through profit or loss.

Management does not anticipate these amendments to have a material impact on the Group's consolidated financial statements.

- (vii) Annual Improvements to PFRS. Annual improvements to PFRS (2010-2012 Cycle) and PFRS (2011-2013 Cycle) made minor amendments to a number of PFRS, which are effective for annual period beginning on or after July 1, 2014. Among those improvements, the following amendments are relevant to the Group but management does not expect a material impact on the Group's consolidated financial statements:

Annual Improvements to PFRS (2010-2012 Cycle)

- (a) PAS 16 (Amendment), *Property, Plant and Equipment* and PAS 38 (Amendment), *Intangible Assets*. The amendments clarify that when an item of property, plant and equipment, and intangible assets is revalued, the gross carrying amount is adjusted in a manner that is consistent with a revaluation of the carrying amount of the asset.
- (b) PAS 24 (Amendment), *Related Party Disclosures*. The amendment clarifies that an entity providing key management services to a reporting entity is deemed to be a related party of the latter. It also requires and clarifies that the amounts incurred by the reporting entity for key management personnel services that are provided by a separate management entity should be disclosed in the financial statements, and not the amounts of compensation paid or payable by the key management entity to its employees or directors.

- (c) PFRS 13 (Amendment), *Fair Value Measurement*. The amendment, though a revision only in the basis of conclusion of PFRS 13, clarifies that issuing PFRS 13 and amending certain provisions of PFRS 9 and PAS 39 related to discounting of financial instruments, did not remove the ability to measure short-term receivables and payables with no stated interest rate on an undiscounted basis, when the effect of not discounting is immaterial.

Annual Improvements to PFRS (2011-2013 Cycle)

- (a) PFRS 13 (Amendment), *Fair Value Measurement*. The amendment clarifies that the scope of the exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis (the portfolio exception) applies to all contracts within the scope of, and accounted for in accordance with, PAS 39 or PFRS 9, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in PAS 32.
- (b) PAS 40 (Amendment), *Investment Property*. The amendment clarifies the interrelationship of PFRS 3, *Business Combinations*, and PAS 40 in determining the classification of property as an investment property or owner-occupied property, and explicitly requires entity to use judgment in determining whether the acquisition of an investment property is an acquisition of an asset or a group of asset, or a business combination in reference to PFRS 3.

2.3 Basis of Consolidation, Investments in Subsidiaries and Associates

The Group's consolidated financial statements comprise the accounts of the Company and its subsidiaries as enumerated in Note 1, after the elimination of intercompany transactions. All intercompany assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities under the Group, are eliminated in full on consolidation. Unrealized profits and losses from intercompany transactions that are recognized in assets are also eliminated in full. Intercompany losses that indicate impairment are recognized in the consolidated financial statements.

The financial statements of subsidiaries and associates are prepared for the same reporting period as that of the Company, using consistent accounting policies.

The Company accounts for its investments in subsidiaries and associates as follows:

(a) *Investments in Subsidiaries*

Subsidiaries are entities (including structured entities) over which the Group has control. The Group controls an entity when it is exposed, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date the Company obtains control. The Company reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of controls indicated above. Accordingly, entities are deconsolidated from the date that control ceases.

The acquisition method is applied to account for acquired subsidiaries. This requires recognizing and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group, if any. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred and subsequent change in the fair value of contingent consideration is recognized directly in profit or loss.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any existing equity interest in the acquiree over the acquisition-date fair value of identifiable net assets acquired is recognized as goodwill. If the consideration transferred is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly as gain in profit or loss.

For the purpose of impairment testing, goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. Goodwill is tested annually for impairment. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold (see Note 2.13).

(b) Investments in Associates

Associates are those entities over which the Company is able to exert significant influence but which are neither subsidiaries nor interests in a joint venture. Investments in associates are initially recognized at cost and subsequently accounted for using the equity method.

Acquired investment in associates is subject to the purchase method. The purchase method involves the recognition of the acquiree's identifiable assets and liabilities, including contingent liabilities, regardless of whether they were recorded in the financial statements prior to acquisition. Goodwill represents the excess of acquisition cost over the fair value of the Company's share of the identifiable net assets of the acquiree at the date of acquisition. Any goodwill or fair value adjustment attributable to the Company's share in the associate is included in the amount recognized as investment in associates.

All subsequent changes to the ownership interest in the equity of the associates are recognized in the Company's carrying amount of the investments. Changes resulting from the profit or loss generated by the associates are reported as Share in Net Profit of Associates in the Group's profit or loss.

Impairment loss is provided when there is objective evidence that the investment in associates will not be recovered (see Note 2.18).

Changes resulting from other comprehensive income of the associate or items recognized directly in the associate's equity are recognized in other comprehensive income or equity of the Company, as applicable. However, when the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognizing its share of those profits only after its share of the profits exceeds the accumulated share of losses that has previously not been recognized.

Distributions received from the associates are accounted for as a reduction of the carrying value of the investment.

In computing for the share in net profit or loss of associate, unrealized gains or losses on transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associate. Where unrealized losses are eliminated, the underlying asset is also tested for impairment from a Group perspective.

2.4 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Company's Executive Committee (ExeCom); its chief operating decision-maker. The ExeCom is responsible for allocating resources and assessing performance of the operating segments.

In identifying its operating segments, management generally follows the Group's main service lines as disclosed in Note 4, which represent the main services provided by the Group.

Each of these operating segments is managed separately as each of these service lines requires different resources as well as marketing approaches. All intersegment transfers are carried out at arm's length prices.

The measurement policies the Group uses for segment reporting under PFRS 8, *Operating Segments* are the same as those used in its consolidated financial statements.

There have been no changes from prior periods in the measurement methods used to determine reported segment profit or loss.

2.5 Financial Assets

Financial assets are recognized when the Group becomes a party to the contractual terms of the financial instrument. Financial assets other than those designated and effective as hedging instruments are classified into the following categories: financial assets at fair value through profit or loss (FVTPL), loans and receivables, held-to-maturity investments and available-for-sale (AFS) financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired.

Regular purchases and sales of financial assets are recognized on their trade date. All financial assets that are not classified as at FVTPL are initially recognized at fair value, plus any directly attributable transaction costs. Financial assets carried at FVTPL are initially recorded at fair value and transaction costs related to it are recognized in profit or loss.

The financial asset categories currently relevant to the Group are loans and receivables and AFS financial assets. A more detailed description of these financial assets is as follows:

(a) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets.

The Group's financial assets categorized as loans and receivables are presented as Cash and Cash Equivalents, Trade and Other Receivables (except Advances to Suppliers), Advances to Related Parties, Investments in time deposits under Prepayments and Other Current Assets and Refundable deposits and Accumulated jackpot seed money under Other Non-current Assets in the consolidated statement of financial position. Cash and cash equivalents include cash on hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less impairment loss, if any. Any change in their value is recognized in profit or loss. Impairment loss is provided when there is an objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the impairment loss is determined as the difference between the assets' carrying amount and the present value of estimated cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate or current effective interest rate determined under the contract if the loan has a variable interest rate.

(b) AFS Financial Assets

This category includes non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. They are presented as Available-for-sale Financial Assets account in the non-current assets section of the consolidated statement of financial position unless management intends to dispose of the investment within 12 months from the end of the reporting period. The Group's AFS financial assets include golf and other club shares which are proprietary membership club shares.

All financial assets within this category are subsequently measured at fair value. Gains and losses from changes in fair value are recognized in other comprehensive income, net of any income tax effects, and are reported as part of the Revaluation Reserves account in equity. When the financial asset is disposed of or is determined to be impaired, the cumulative fair value gains or losses recognized in other comprehensive income is reclassified from equity to profit or loss and is presented as reclassification adjustment within other comprehensive income.

Reversal of impairment loss is recognized in other comprehensive income, except for financial assets that are debt securities, which are recognized in profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognized.

All income and expenses, including impairment losses, relating to financial assets that are recognized in profit or loss are presented as part of Finance Income or Finance Costs in the consolidated statement of comprehensive income.

For investments that are actively traded in organized financial markets, fair value is determined by reference to stock exchange-quoted market bid prices at the close of business on the reporting period. For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment.

Non-compounding interest and other cash flows resulting from holding financial assets are recognized in profit or loss when earned, regardless of how the related carrying amount of financial assets is measured.

Derecognition of financial assets occurs when the rights to receive cash flows from the financial instruments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred to another party.

2.6 Derivative Financial Instruments

The Group uses derivative financial instruments to manage its risks associated with interest rates. Such derivative financial instruments are initially recognized at fair value on the date in which the derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The Group's derivative instruments provide economic hedges but are not designated as accounting hedges and any gains or losses arising from changes in fair value are recognized directly in profit or loss for the period.

2.7 Inventories

Inventories are stated at the lower of cost or net realizable value. Cost, which includes purchase price, import duties and other taxes that are not subsequently recoverable from taxing authorities, is determined using the weighted average method. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. Net realizable value of operating and other supplies is the current replacement cost.

2.8 Prepayments and Other Assets

Prepayments and other assets pertain to other resources controlled by the Group as a result of past events. They are recognized in the consolidated financial statements when it is probable that the future economic benefits will flow to the entity and the asset has a cost or value that can be measured reliably.

Other recognized assets of similar nature, where future economic benefits are expected to flow to the Group beyond one year after the end of the reporting period or in the normal operating cycle of the business, if longer, are classified as non-current assets.

2.9 Property and Equipment

Land is measured at cost less any impairment in value. All other property and equipment are stated at cost less accumulated depreciation and any impairment in value.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized; expenditures for repairs and maintenance are charged to expense as incurred.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings and building improvements	30 years
Gaming machines and equipment	5 to 10 years
Transportation equipment	5 to 10 years
Furniture, fixtures and equipment	5 years

Construction in progress represents properties under construction and is stated at cost. This includes cost of construction, applicable borrowing cost and other direct costs (see Note 2.20). The account is not depreciated until such time that the assets are completed and available for use.

The residual values and estimated useful lives of property and equipment are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.18).

An item of property and equipment, including the related accumulated depreciation and any impairment losses, is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period the item is derecognized.

2.10 Investment Property

Investment property, which pertains to a portion of buildings and building improvements held under operating leases, is stated at cost less accumulated depreciation and any impairment in value. The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized; expenditures for repairs and maintenance are charged to expense as incurred.

Depreciation of investment property is computed on a straight-line basis over the asset's estimated useful life of 30 years.

The carrying amount of investment property is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.18).

Investment property, including the related accumulated depreciation and impairment losses, is derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognized in profit or loss in the period of retirement or disposal.

2.11 Financial Liabilities

Financial liabilities of the Group, which include Interest-bearing Loans and Borrowings, Trade and Other Payables (except tax-related liabilities and Liability for unredeemed gaming points), Dividends Payable, Derivative Liability, Advances from Related Parties, Notes Payable and Other Non-current Liabilities are recognized when the Group becomes a party to the contractual terms of the instrument. All interest-related charges incurred on a financial liability are recognized as expenses in profit or loss under caption Finance Costs in the consolidated statement of comprehensive income.

Interest-bearing loans and borrowings and notes payable are raised for support of long-term funding of operations. They are recognized at proceeds received, net of direct issue costs and subsequently measured at amortized cost. Finance charges, including direct issue costs, are charged to profit or loss on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that these are not settled in the period in which they arise.

Trade and other payables, advances from related parties and other non-current liabilities are initially recognized at their fair values and subsequently measured at amortized cost, using effective interest method for maturities beyond one year, less settlement payments.

Dividend distributions to stockholders are recognized as financial liabilities upon declaration by the BOD.

Derivative liability represents the cumulative changes in net fair value losses arising from the Group's interest rate swap.

Financial liabilities are classified at FVTPL if these result from trading activities or derivative transactions that are not accounted for as accounting hedges, or when the Group elects to designate a financial liability under this category. Included in this category is the Group's Derivative Liability account in the consolidated statement of financial position (see Note 2.6).

A substantial modification to the terms of a financial liability is accounted for as an extinguishment of the existing liability and the recognition of a new or modified liability at its fair value. A modification is considered substantial if the present value of the cash flows under the new terms, including net fees paid or received and discounted using the original effective interest rate, is different by at least 10% from the discounted present value of remaining cash flows of the original liability.

The fair value of the modified financial liability is determined based on its expected cash flows, discounted using the interest rate at which the Group could raise debt with similar terms and conditions in the market. The difference between the carrying value of the original liability and fair value of the new liability is recognized as gain or loss on extinguishment of liability in profit or loss.

On the other hand, if the difference does not meet the 10% threshold, the original debt is not extinguished but merely modified. In such a case, the carrying amount is adjusted by the costs or fees paid or received in the restructuring.

Financial liabilities are classified as current liabilities if payment is due to be settled within one year or less after the end of the reporting period (or in the normal operating cycle of the business, if longer), or the Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Otherwise, these are presented as non-current liabilities.

Financial liabilities are derecognized from the consolidated statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in profit or loss.

2.12 Offsetting Financial Instruments

Financial assets and liabilities are offset and the resulting net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

2.13 Business Combination

Business acquisitions are accounted for using the acquisition method of accounting.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Subsequent to initial recognition, goodwill, if any, is measured at cost less any accumulated impairment losses. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

Negative goodwill, which is the excess of the Group's interest in the net fair value of net identifiable assets acquired over acquisition cost, is charged directly to income.

For the purpose of impairment testing, goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The cash-generating units or groups of cash-generating units are identified according to operating segment.

Gains and losses on the disposal of an interest in a subsidiary include the carrying amount of goodwill relating to it.

If the business combination is achieved in stages, the acquirer is required to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss, if any, in the profit or loss or other comprehensive income, as appropriate.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

2.14 Provisions and Contingencies

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pretax rate that reflects market assessments and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the consolidated financial statements. Similarly, possible inflows of economic benefits to the Group that do not yet meet the recognition criteria of an asset are considered contingent assets; hence, are not recognized in the consolidated financial statements. On the other hand, any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

2.15 Revenue and Expense Recognition

Revenue is recognized to the extent that the revenue can be reliably measured, it is probable that the economic benefits will flow to the Group, and the costs incurred or to be incurred can be measured reliably. In addition, the following specific recognition criteria must also be met before revenue is recognized:

- (a) *Gaming* – Revenue is recognized from the net wins (losses) from gaming activities which represent the difference between coins and currencies deposited into the gaming machines and the payments to customers and, for other games, the difference between gaming wins and losses.
- (b) *Hotel, food, beverage and others* – Revenues are recognized when services are rendered and upon delivery to and receipt of goods by the customer.
- (c) *Rentals* – Revenue is recognized on a straight-line basis over the duration of the lease term. For tax purposes, rental income is recognized based on the contractual terms of the lease (see Note 2.16).
- (d) *Rendering of services* – Revenue is recognized when the performance of contractually agreed tasks has been substantially rendered. Revenue from rendering of services include income from cinema and production shows, parking space, service commissions and others (see Note 17).
- (e) *Interest* – Revenue is recognized as the interest accrues taking into account the effective yield on the asset.

Revenue is measured by reference to the fair value of consideration received or receivable by the Group for goods supplied and services provided, excluding applicable value-added tax (VAT).

The Group provides a membership card for its patrons. Members earn points on gaming activity, and such points are redeemable for complimentary goods and services such as rooms, food, beverages and others. Members may also earn special coupons or awards as determined during marketing promotions. The Group records revenue for the original transaction and a provision (and a corresponding recognition of promotional allowances in profit or loss) for the value of the points earned by members by reference to the relative fair values of the complimentary goods or services.

Costs and expenses are recognized in the consolidated statement of comprehensive income upon utilization of the service or at the date they are incurred. All finance costs are reported in profit or loss, on an accrual basis, except capitalized borrowing costs which are included as part of the cost of the related qualifying asset (see Note 2.20).

2.16 Leases

The Group accounts for its leases as follows:

(a) Group as Lessee

Leases which do not transfer to the Group substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as expense in the consolidated statement of comprehensive income on a straight-line basis over the lease term. Associated costs, such as repairs and maintenance, and insurance, are expensed as incurred.

(b) Group as Lessor

Leases which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease income from operating leases is recognized as income in the consolidated statement of comprehensive income on a straight-line basis over the lease term.

The Group determines whether an arrangement is, or contains, a lease based on the substance of the arrangement. It makes an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

2.17 Foreign Currency Transactions and Translation

The accounting records of the Group are maintained in Philippine pesos. Foreign currency transactions during the year are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates.

Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

2.18 Impairment of Non-financial Assets

The Group's investments in associates, property and equipment, investment property, and other non-financial assets are subject to impairment testing whenever events or changes in circumstances indicate that their carrying amount may not be recoverable.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, assets are tested for impairment either individually or at the cash-generating unit level.

Impairment loss is recognized in profit or loss for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amounts which is the higher of its fair value less costs to sell and its value in use. In determining value in use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist and the carrying amount of the asset is adjusted to the recoverable amount resulting in the reversal of the impairment loss.

2.19 Employee Benefits

(a) Retirement Benefit Obligation

The Group does not have a formal retirement plan but it accrues its retirement benefit obligation based on the minimum requirement under Republic Act (R.A.) 7641, *The Retirement Pay Law*. Such retirement benefit obligation is actuarially determined by an independent actuary in accordance with PAS 19 (Revised).

R.A. No. 7641 relates to a defined benefit plan. A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Group. The Group's defined benefit post-employment plan covers all regular full-time employees.

The liability recognized in the consolidated statement of financial position for defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using a discount rate derived from the interest rates of a zero coupon government bonds, as published by Philippine Dealing and Exchange Corporation, that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability.

Remeasurement, comprising of actuarial gains and losses from experience adjustments and changes in actuarial assumptions, is reflected immediately in the consolidated statement of financial position with a charge or credit recognized in other comprehensive income in the period which they arise. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset and is included as part of Finance Costs or Finance Income account in the consolidated statement of comprehensive income.

Past service costs are recognized immediately in profit or loss in the period of a plan amendment.

(b) Bonus Plans

The Group recognizes a liability and an expense for bonuses, based on a formula that takes into consideration the profit attributable to the Group's shareholders after certain adjustments. The Group recognizes a provision where it is contractually obliged to pay the benefits, or where there is a past practice that has created a constructive obligation.

(c) *Compensated Absences and Other Employee Benefits*

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of the reporting period. In addition, the Group recognizes a liability and an expense for other employee benefits based on a formula that takes into consideration the profit attributable to the Group's employees after certain adjustments. The Group recognizes a provision where it is contractually obliged to pay the benefits, or where there is a past practice that has created a constructive obligation. These are included in Accrued employee benefits under the Trade and Other Payables account in the consolidated statement of financial position at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

2.20 *Borrowing Costs*

Borrowing costs are recognized as expenses in the period in which they are incurred, except to the extent that they are capitalized. Borrowing costs that are attributable to the acquisition, construction or production of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of cost of such asset. The capitalization of borrowing costs commences when expenditures for the asset and borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when substantially all such activities are complete.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

2.21 *Income Taxes*

The Company is subject to 25% and 15% license fees, in lieu of all taxes, with reference to the income component of the gross gaming revenues, as provided under the Provisional License Agreement with PAGCOR (see Note 20.2). In April 2013, however, the Bureau of Internal Revenue (BIR) issued Revenue Memorandum Circular (RMC) 33-2013 clarifying that PAGCOR, its contractees and its licensees are subject to corporate income tax under the National Internal Revenue Code of 1997, as amended. As more fully discussed in Notes 20.2 and 23.3(e), the Company, together with other PAGCOR licensees, is in consultation with PAGCOR to arrive at a fair and equitable solution for PAGCOR to ensure that the provisions of the Provisional License will be honored and given full force and effect. PAGCOR has confirmed its commitment to abide by the terms of the Provisional License, specifically insofar as the license fees are intended and contemplated to be in lieu of all taxes with reference to the income component of the gross gaming revenues. Management is confident that fair and equitable resolution will be made in keeping with the true spirit and intent of its Provisional License that the Company will not be exposed to further tax liabilities except the license fees as contemplated therein.

For hotel operations, the Company enjoys an Income Tax Holiday (ITH) on income solely derived from servicing foreign tourists, except for a certain portion of hotel operations where the ITH has expired in 2013; hence, now subject to the 5% Gross Income Tax (GIT) (see Note 20.3).

For other sources of income, the Group is subject to the Regular Corporate Income Tax (RCIT) rate. The related income tax expense presented in profit or loss in the consolidated statement of comprehensive income is determined using the liability method of deferred tax accounting described in the succeeding paragraphs.

Current tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the end of the reporting period. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the period. All changes to current tax assets or liabilities are recognized as a component of tax expense in profit or loss.

Deferred tax is accounted for using the liability method on temporary differences at the end of the reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carryforward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deferred tax asset can be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at end of the reporting period.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Deferred tax assets and deferred tax liabilities are offset if the Group has a legally enforceable right to set-off current tax assets against current tax liabilities and the deferred taxes relate to the same entity and the same taxation authority.

2.22 Related Party Transactions and Relationships

Related party transactions are transfers of resources, services or obligations between the Group and its related parties, regardless of whether a price is charged.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Group; (b) associates; and, (c) individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the Group and close members of the family of any such individual.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

2.23 Equity

Capital stock, which consists of common and preferred shares, represents the nominal value of shares that have been issued.

Additional paid-in capital (APIC) includes any premiums received on the issuance of shares of stock. Any transaction costs associated with the issuance of shares are deducted from APIC, net of any related income tax benefits.

Treasury shares are stated at the cost of reacquiring such shares and are deducted from equity until the shares are cancelled, reissued or disposed of.

Revaluation reserves comprise accumulated unrealized gains and losses due to the revaluation of AFS financial assets and remeasurements of retirement benefit obligation.

Retained earnings include all current and prior period results of operations as reported in the profit or loss section of the consolidated statement of comprehensive income, reduced by the amounts of dividends declared.

2.24 Earnings Per Share

Basic earnings per share (EPS) is determined by dividing the net profit for the period attributable to common shareholders by the weighted average number of common shares issued and outstanding during the period, after giving retroactive effect to any stock dividends declared and stock splits in the current period.

Diluted EPS is computed by adjusting the weighted average number of ordinary shares outstanding to assume conversion of potential dilutive shares (see Notes 22.1 and 28).

2.25 Events After the End of the Reporting Period

Any post-year-end event that provides additional information about the Group's consolidated financial position at the end of the reporting period (adjusting event) is reflected in the consolidated financial statements. Post-year-end events that are not adjusting events, if any, are disclosed when material to the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The Group's consolidated financial statements prepared in accordance with PFRS require management to make judgments and estimates that affect the amounts reported in the consolidated financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately differ from these estimates.

3.1 Critical Management Judgments in Applying Accounting Policies

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimation, which have the most significant effect on the amounts recognized in the consolidated financial statements:

(a) Impairment of AFS Financial Assets

The determination when an investment is other-than-temporarily impaired requires significant judgment. In making this judgment, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost, and the financial health of and near-term business outlook for the investee.

Based on the recent evaluation of information and circumstances affecting the Group's AFS financial assets, management concluded that the assets are not impaired in 2013, 2012 and 2011. However, future changes in those information and circumstances might significantly affect the carrying amount of the assets.

(b) Distinction Between Investment Property and Owner-managed Properties

The Group determines whether a property qualifies as investment property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by an entity.

Some properties comprise a portion that is held to earn rental or for capital appreciation and another portion that is held for administrative purposes. If these portions can be sold separately (or leased out separately under finance lease), the Group accounts for the portions separately. If the portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgment.

(c) Distinction Between Operating and Finance Leases

The Group has entered into various lease agreements. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities. As of December 31, 2013 and 2012, management determined that its current lease agreements are operating leases.

(d) Recognition of Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition and disclosure of provisions of contingencies are discussed in Note 2.14 and relevant disclosures are presented in Note 23.

(e) *Exemption from VAT and Income Tax on Gaming Revenue*

As discussed fully in Note 20.2, the BIR issued RMC 33-2013 in April 2013 clarifying that PAGCOR, its contractees and its licensees are subject to corporate income tax under the National Internal Revenue Code of 1997, as amended. The Company, together with other PAGCOR licensees, is in consultation with PAGCOR to arrive at a fair and equitable solution for PAGCOR to ensure that the provisions of the Provisional Licenses will be honored and given full force and effect. PAGCOR has confirmed its commitment to abide by the terms of the Provisional License, specifically in so far as the license fees are intended and contemplated to be in lieu of all taxes with reference to the income component of the gross gaming revenues. Pending discussions with PAGCOR, no reliable estimate of the obligation under RMC 33-2013 can be ascertained. Moreover, management is confident that a fair and equitable resolution will be made in keeping with the true spirit and intent of its Provisional License that the Company will not be exposed to further tax liabilities except the license fees as contemplated therein. Hence, no provision has been recognized in the consolidated financial statements as at the end of each reporting period.

3.2 Key Sources of Estimation Uncertainty

The following are the Group's key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period:

(a) *Determining Net Realizable Values of Inventories*

In determining the net realizable value of inventories, management takes into account the most reliable evidence available at the time the estimates are made. The Group's inventories, which include perishable goods and operating supplies, are affected by certain factors which may cause inventory losses. Moreover, future realization of the carrying amounts of inventories is affected by price changes in different market segments of food and beverages and operating supplies. Both aspects are considered key sources of estimation uncertainty which may cause significant adjustments to the Group's inventories within the next reporting period.

In 2013, 2012 and 2011, no inventory write-down was recognized by the Group as management believes that the carrying value of inventories does not exceed its net realizable value.

(b) *Estimating Useful Lives of Property and Equipment and Investment Property*

The Group estimates the useful lives of property and equipment and investment property based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment and investment property are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. The carrying amounts of property and equipment and investment property are presented in Notes 10 and 11, respectively. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above. There is no change in estimated useful lives of property and equipment and investment property during the year.

(c) *Impairment of Trade and Other Receivables and Advances to Related Parties*

Adequate amount of allowance is made for specific and groups of accounts, where objective evidence of impairment exists. The Group evaluates these accounts based on available facts and circumstances, including, but not limited to, the length of the Group's relationship with the customers and other counterparties, their current credit status based on known market forces, average age of accounts, collection experience and historical loss experience.

Based on management's evaluation, there were no impairment losses necessary to be recognized on trade and other receivables and advances to related parties in 2013, 2012 and 2011 (see Notes 6 and 21.6).

(d) *Fair Value Measurement of Derivative Financial Instruments*

Management applies valuation techniques to determine the fair value of the derivative financial instruments where active market quotes are not available.

The determination of the fair value of derivatives is dependent on the selection of certain assumptions used by third party experts in calculating such amounts. Those assumptions include, among others, expected movements in the index cumulative performance defined in the swap agreement. Changes in assumptions could affect reported fair value of financial instruments. The Group uses judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

(e) *Impairment of Non-financial Assets*

The Group's policy on estimating the impairment of non-financial assets is discussed in Note 2.18. Though management believes that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

There were no impairment losses recognized on the Group's investments in associates, property and equipment, investment property and other non-financial assets based on management's evaluation in 2013, 2012 and 2011.

(f) *Determination of Fair Value of Investment Properties*

Investment property is measured using the cost model. The fair value disclosed in Note 11 is determined by the Group based on the appraisal report prepared by independent appraisers using the relevant valuation methodology as discussed in Note 26.4.

For investment properties with appraisal conducted prior to the end of the current reporting period, management determines whether there are significant circumstances during the intervening period that may require adjustments or changes in the disclosure of fair value of those properties. A significant change in these elements may affect the prices and the value of the assets.

(g) *Valuation of Retirement Benefit Obligation*

The determination of the Group's obligation and cost of post-employment benefit is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, discount rates and expected rate of salary increase. A significant change in any of these actuarial assumptions may generally affect the recognized expense and the carrying amount of the post-employment benefit obligation in the next reporting period. In accordance with PFRS, actual results that differ from the assumptions are accumulated and amortized over future periods and therefore, generally affect the expense and the carrying amount of post-employment obligation in such future periods.

The amounts of retirement benefit obligation and expense and an analysis of the movements in the estimated present value of retirement benefit obligation are presented in Note 19.2.

(h) *Determining Realizable Amount of Deferred Tax Assets*

The Group reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Management assessed that the balance of net deferred tax assets recognized as at December 31, 2013, and 2012 will be utilized in the future.

The carrying amount of the net deferred tax assets as at December 31, 2013 and 2012 is disclosed in Note 20.1.

4. SEGMENT INFORMATION

4.1 *Business Segments*

The Group is organized into two major business segments – casino and non-casino segments. These components of the Group engaged in business activities from which revenues and expenses, including revenues and expenses that relate to transactions with other component, are reviewed regularly by the ExeCom, acting as the chief operating decision-makers of the Group. The ExeCom makes decisions about resources to be allocated to each of the segments of the Group and assesses its performances, for which discrete financial information is made available to make the decisions.

Presented below is the basis of the Group in reporting its primary segment information.

- (a) The Casino segment is engaged in casino operations. This segment includes the operation of Resorts World Manila.
- (b) The Non-casino segment includes the operations of various brands of hotels (Maxims, Marriott and Remington), leasing (Newport Entertainment Commercial Center), performing arts theater (Newport Performing Arts Theater), cinema (Newport Cinemas) and other activities which are peripheral to the casino operations.

The Group has not identified any segment based on geographical location (see Note 4.4).

4.2 *Segment Assets and Liabilities*

Segment assets are allocated based on their physical location and use or direct association with a specific segment. They include all operating assets used by a segment and consist principally of operating cash and cash equivalents, trade and other receivables, inventories, property and equipment and investment property. Segment liabilities include all operating liabilities and consist principally of trade and other payables, interest-bearing loans and borrowings, and notes payable.

4.3 Intersegment Transactions

Segment revenues, expenses and performance include sales and purchases between business segments. Such sales and purchases are eliminated in consolidation.

4.4 Analysis of Segment Information

Segment information in 2013, 2012 and 2011 can be analyzed as follows:

	Casino			Non-casino			Total		
	2013	2012	2011	2013	2012	2011	2013	2012	2011
NET REVENUES									
Sales to external customers	P27,469,970,134	P26,370,812,088	P24,020,363,866	P 3,378,058,799	P 3,018,935,304	P 2,654,456,439	P30,848,028,933	P29,389,747,392	P26,674,820,305
Intersegment sales	<u>-</u>	<u>-</u>	<u>-</u>	<u>440,294,848</u>	<u>367,421,340</u>	<u>310,037,769</u>	<u>440,294,848</u>	<u>367,421,340</u>	<u>310,037,769</u>
Segment revenues	27,469,970,134	26,370,812,088	24,020,363,866	3,818,353,647	3,386,356,644	2,964,494,208	31,288,323,781	29,757,168,732	26,984,858,074
COSTS AND OTHER OPERATING EXPENSES									
Cost of sales, services and expenses excluding depreciation	20,995,101,547	18,155,579,910	16,084,882,899	3,575,565,869	2,431,873,615	2,462,902,437	24,570,667,416	20,587,453,525	18,547,785,336
Depreciation	490,079,341	556,305,323	469,772,796	1,610,416,251	1,153,662,279	764,278,031	2,100,495,592	1,709,967,602	1,234,050,827
Finance costs and other charges (income)	<u>130,577,230</u>	<u>1,022,231,179</u>	<u>1,872,136,874</u>	<u>1,680,401,864</u>	(364,853,861)	408,947,127	<u>1,810,979,094</u>	<u>657,377,318</u>	<u>2,281,084,001</u>
Profit (loss) before tax	5,854,212,016	6,636,695,676	5,593,571,297	(3,048,030,337)	165,674,611	(671,633,387)	2,806,181,679	6,802,370,287	4,921,937,910
Tax expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>66,665,186</u>	<u>68,154,087</u>	<u>97,694,553</u>	<u>66,665,186</u>	<u>68,154,087</u>	<u>97,694,553</u>
SEGMENT NET PROFIT	<u>P 5,854,212,016</u>	<u>P 6,636,695,676</u>	<u>P 5,593,571,297</u>	<u>(P 3,114,695,523)</u>	<u>P 97,520,524</u>	<u>(P 769,327,940)</u>	<u>P 2,739,516,493</u>	<u>P 6,734,216,200</u>	<u>P 4,824,243,357</u>
ASSETS AND LIABILITIES									
Segment assets	P 6,717,212,817	P 6,099,030,782	P 5,423,497,246	P54,508,522,735	P41,867,750,538	P40,171,881,797	P61,225,735,552	P47,966,781,320	P45,595,379,043
Segment liabilities	1,295,061,800	3,826,115,375	4,225,867,274	26,502,829,504	22,903,861,178	22,595,213,202	27,797,891,304	26,729,976,553	26,821,080,476

Currently, the Group's operation is concentrated in one location; hence, it has no geographical segment (see Note 4.1).

Revenues to any of the Group's major customers did not exceed 10% of the Group's revenues in all of the years presented.

4.5 Reconciliations

Presented below is a reconciliation of the Group's segment information to the key financial information presented in its consolidated financial statements.

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Net revenues			
Total segment revenues	P 31,288,323,781	P 29,757,168,732	P 26,984,858,074
Elimination of intersegment revenues	(<u>440,294,848</u>)	(<u>367,421,340</u>)	(<u>310,037,769</u>)
Revenues as reported in profit or loss	<u>P 30,848,028,933</u>	<u>P 29,389,747,392</u>	<u>P 26,674,820,305</u>
Net profit or loss			
Segment net profit	<u>P 2,739,516,493</u>	<u>P 6,734,216,200</u>	<u>P 4,824,243,357</u>
Net profit as reported in profit or loss	<u>P 2,739,516,493</u>	<u>P 6,734,216,200</u>	<u>P 4,824,243,357</u>
Assets			
Segment assets	<u>P 61,225,735,552</u>	<u>P 47,966,781,320</u>	<u>P 45,595,379,043</u>
Total assets reported in the consolidated statements of financial position	<u>P 61,225,735,552</u>	<u>P 47,966,781,320</u>	<u>P 45,595,379,043</u>
Liabilities			
Segment liabilities	<u>P 27,797,891,304</u>	<u>P 26,729,976,553</u>	<u>P 26,821,080,476</u>
Total liabilities reported in the consolidated statements of financial position	<u>P 27,797,891,304</u>	<u>P 26,729,976,553</u>	<u>P 26,821,080,476</u>

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components as at December 31:

	<u>Note</u>	<u>2013</u>	<u>2012</u>
Cash on hand and in banks		P 16,100,998,626	P 7,601,726,030
Short-term placements	23.3(b)	<u>9,674,506,015</u>	<u>9,311,976,399</u>
		<u>P 25,775,504,641</u>	<u>P 16,913,702,429</u>

Cash in banks generally earn interest based on daily bank deposit rates.

Short-term placements are made for varying periods ranging from 30 to 90 days both in 2013 and 2012, and earn effective interests ranging from 0.5% to 3.0% per annum in 2013, 1.8% to 4.7% per annum in 2012 and 2.0% to 4.8% per annum in 2011.

The balance of Cash and Cash Equivalents does not include investments in time deposits, which are shown under Prepayments and Other Current Assets in the consolidated statements of financial position. The time deposits amounting to P111.4 million and P108.4 million as at December 31, 2013 and 2012, respectively, have a term of 360 days (see Note 8).

Interest income from Cash and Cash Equivalents and investments in time deposits for the years ended December 2013, 2012 and 2011 is presented under the Finance Income account in the consolidated statements of comprehensive income (see Note 18.2).

6. TRADE AND OTHER RECEIVABLES

This account is composed of the following:

	Notes	<u>2013</u>	<u>2012</u>
Trade receivables	21.2, 22.1	P 854,955,237	P 1,384,441,545
Advances to suppliers		1,372,437,957	971,001,460
Interest receivables		12,948,665	24,432,031
Others	10, 23.5 23.6	<u>802,938,595</u>	<u>34,927,417</u>
		<u>P 3,043,280,454</u>	<u>P 2,414,802,453</u>

All of the Group's trade and other receivables have been reviewed for indications of impairment. Based on this review, all receivables were found to be collectible.

Trade receivables are usually due within 30 days and do not bear any interest. All trade receivables are subject to credit risk exposure.

Advances to suppliers pertain to mobilization funds provided to the Group's suppliers for use primarily in the construction of the Group's buildings and building improvements and are reduced proportionately upon receipt of progress billings from the said suppliers.

7. INVENTORIES

Inventories as at the end of 2013 and 2012 are stated at cost. The details of inventories are shown below.

	<u>2013</u>	<u>2012</u>
Operating supplies	P 186,339,826	P 106,207,813
Food and beverage	14,873,941	13,170,366
Membership program items	4,184,710	22,605,900
Others	<u>1,843,553</u>	<u>3,581,654</u>
	<u>P 207,242,030</u>	<u>P 145,565,733</u>

Membership program items pertain to the supplies and other inventory items of the Group's loyalty and membership program, which are differentiated from membership privileges based on the patron's gaming activities.

8. PREPAYMENTS AND OTHER CURRENT ASSETS

The composition of this account is shown below.

	Note	2013	2012
Investments in time deposits	5	P 111,438,992	P 108,403,687
Prepayments		111,902,801	139,104,746
Input VAT		44,762,180	-
Others		16,841,863	9,167,296
		<u>P 284,945,836</u>	<u>P 256,675,729</u>

Prepayments include prepaid taxes, insurance and rentals.

Investments in time deposits are made for a period of 360 days and earn effective interest of 3.5% in 2013 and 2012.

9. INVESTMENTS IN ASSOCIATES

The carrying value of investments in associates, which is accounted for under the equity method in these consolidated financial statements of the Group, pertains only to the investment in MBPHI which amounts to P156.3 million as at the end of December 31, 2013 and 2012. There is no equity in net earnings from MBPHI in 2013 and 2012.

Investment in GSTAI, also an associate, is carried at nil amount as at the end of the reporting periods as the Group's share in net losses of GSTAI exceeds the Group's interest in GSTAI. Consequently, the Group discontinued recognizing its share in further losses of GSTAI.

10. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation of property and equipment at the beginning and end of 2013 and 2012 are shown below.

	Land	Buildings and Building Improvements	Gaming Machines and Equipment	Transportation Equipment	Furniture, Fixtures and Equipment	Construction in Progress	Total
December 31, 2013							
Cost	P 6,609,355,421	P 16,258,288,571	P 2,621,113,930	P 1,671,858,982	P 3,018,570,487	P 5,080,532,096	P 35,259,719,487
Accumulated depreciation	-	(1,992,529,251)	(1,522,972,851)	(664,511,745)	(1,879,057,633)	-	(6,059,071,480)
Net carrying amount	<u>P 6,609,355,421</u>	<u>P 14,265,759,320</u>	<u>P 1,098,141,079</u>	<u>P 1,007,347,237</u>	<u>P 1,139,512,854</u>	<u>P 5,080,532,096</u>	<u>P 29,200,648,007</u>
December 31, 2012							
Cost	P 6,609,355,421	P 15,973,713,774	P 2,190,552,692	P 1,526,032,455	P 2,591,118,900	P 947,612,630	P 29,838,385,872
Accumulated depreciation	-	(1,201,712,230)	(1,048,411,288)	(488,601,460)	(1,291,172,703)	-	(4,029,897,681)
Net carrying amount	<u>P 6,609,355,421</u>	<u>P 14,772,001,544</u>	<u>P 1,142,141,404</u>	<u>P 1,037,430,995</u>	<u>P 1,299,946,197</u>	<u>P 947,612,630</u>	<u>P 25,808,488,191</u>
January 1, 2012							
Cost	P 4,504,494,240	P 13,862,402,874	P 1,775,414,882	P 1,503,041,740	P 1,956,057,383	P 1,567,670,370	P 25,169,081,489
Accumulated depreciation	-	(694,751,572)	(647,375,992)	(329,158,336)	(700,764,769)	-	(2,372,050,669)
Net carrying amount	<u>P 4,504,494,240</u>	<u>P 13,167,651,302</u>	<u>P 1,128,038,890</u>	<u>P 1,173,883,404</u>	<u>P 1,255,292,614</u>	<u>P 1,567,670,370</u>	<u>P 22,797,030,820</u>

A reconciliation of the carrying amounts at the beginning and end of 2013 and 2012 of property and equipment is shown below.

	Land	Buildings and Building Improvements	Gaming Machines and Equipment	Transportation Equipment	Furniture, Fixtures and Equipment	Construction in Progress	Total
Balance at January 1, 2013, net of accumulated depreciation	P 6,609,355,421	P 14,772,001,544	P 1,142,141,404	P 1,037,430,995	P 1,299,946,197	P 947,612,630	P 25,808,488,191
Additions	-	398,629,341	430,561,238	173,183,670	427,451,588	4,598,457,646	6,028,283,484
Transfer to investment property	-	(109,628,558)	-	-	-	(229,995,990)	(339,624,548)
Disposal/ Transfer	-	-	(23,206,845)	-	-	(235,542,190)	(258,749,035)
Depreciation charges for the year	-	(795,243,007)	(474,561,563)	(180,060,583)	(587,884,931)	-	(2,037,750,084)
Balance at December 31, 2013, net of accumulated depreciation	<u>P 6,609,355,421</u>	<u>P 14,265,759,320</u>	<u>P 1,098,141,079</u>	<u>P 1,007,347,237</u>	<u>P 1,139,512,854</u>	<u>P 5,080,532,096</u>	<u>P 29,200,648,007</u>
Balance at January 1, 2012, net of accumulated depreciation	P 4,504,494,240	P 13,167,651,302	P 1,128,038,890	P 1,173,883,404	P 1,255,292,614	P 1,567,670,370	P 22,797,030,820
Additions	2,104,861,181	554,689,892	415,137,810	22,990,715	635,061,517	936,563,268	4,669,304,383
Reclassifications	-	1,556,621,008	-	-	-	(1,556,621,008)	-
Depreciation charges for the year	-	(506,960,658)	(401,035,296)	(159,443,124)	(590,407,934)	-	(1,657,847,012)
Balance at December 31, 2012, net of accumulated depreciation	<u>P 6,609,355,421</u>	<u>P 14,772,001,544</u>	<u>P 1,142,141,404</u>	<u>P 1,037,430,995</u>	<u>P 1,299,946,197</u>	<u>P 947,612,630</u>	<u>P 25,808,488,191</u>

Construction in progress pertains to the accumulated costs incurred on the casino and hotel sites being constructed as part of the Company's investment commitment in accordance with its Provisional License Agreement with PAGCOR [see Note 23.3(b)]. Total property and equipment includes capitalized borrowing costs amounting to P222.4 million and P282.8 million in 2013, and 2012, respectively, representing the actual borrowing costs, net of related investment income, incurred on loans obtained to fund the construction project. The capitalization rate used was 3.6% in 2013 and 1.1% in 2012 (see Note 13).

In 2013, the Group transferred certain portion of construction in progress at cost amounting to P235.5 million to a related party under common ownership, which remains unpaid as of December 31, 2013 and is presented as part of Others under Trade and Other Receivables in the 2013 consolidated statement financial position (see Notes 6 and 21.8). No gain or loss was recognized from this transaction.

The Group sold certain transportation equipment to a third party for a total consideration of P25.0 million in 2013. The related gain on sale is recognized as part of Other Operating Income in the 2013 consolidated statement of comprehensive income (see Note 17) while the outstanding receivable is presented as part of Others under Trade and Other Receivables account in the 2013 consolidated statement of financial position (see Note 6).

Also, in 2013, the Group transferred certain portion of buildings and building improvements and construction in progress amounting to P339.6 million from Property and Equipment to Investment Property as the Company leased out the property under an operating lease agreement (see Note 11).

The amount of depreciation is allocated as follows (see Note 16):

	2013	2012	2011
Direct costs	P 734,261,516	P 664,335,341	P 648,348,371
General and administrative expenses	<u>1,303,488,568</u>	<u>993,511,671</u>	<u>692,348,176</u>
	<u>P 2,037,750,084</u>	<u>P 1,657,847,012</u>	<u>P 1,340,696,547</u>

The Group's aircraft, with carrying amount of P828.1 million and P970.1 million as at December 31, 2013 and 2012, respectively, which is presented as part of Transportation equipment under the Property and Equipment account in the consolidated statements of financial position is used as a collateral for a certain interest-bearing loan (see Note 13).

11. INVESTMENT PROPERTY

The Group's investment property mainly consists of buildings and building improvements primarily held to earn rentals under operating leases. Rental income amounting to P280.1 million, P253.1 million and P215.2 million in 2013, 2012 and 2011, respectively, are presented as part of Rentals under the Other Operating Income account in the consolidated statements of comprehensive income (see Note 17). Direct costs incurred, generally pertaining to depreciation charges, amounted to P62.7 million, P52.1 million and P35.3 million in 2013, 2012 and 2011, respectively, are presented as part of the General and Administrative Expenses account in the consolidated statements of comprehensive income (see Note 16).

The net carrying amounts of investment property as at the beginning and end of 2013 and 2012 are shown below.

	<u>December 31, 2013</u>	<u>December 31, 2012</u>	<u>January 1, 2012</u>
Cost	P 1,892,772,408	P 1,548,721,874	P 1,548,721,874
Accumulated depreciation	(221,902,917)	(154,731,424)	(102,610,834)
	<u>P 1,670,869,491</u>	<u>P 1,393,990,450</u>	<u>P 1,446,111,040</u>

A reconciliation of the carrying amounts of investment property at the beginning and end of 2013 and 2012 is shown below.

	<u>Notes</u>	<u>2013</u>	<u>2012</u>
Balance at January 1, net of accumulated depreciation		P 1,393,990,450	P 1,446,111,040
Transfer from property and equipment	10	339,624,548	-
Depreciation charges for the year	16	(62,745,507)	(52,120,590)
Balance at December 31, net of accumulated depreciation		<u>P 1,670,869,491</u>	<u>P 1,393,990,450</u>

In the latest appraisal report, the Group's investment property, which is part of Site B, has an aggregate fair market value of P16.1 billion. Fair value is determined using the income capitalization approach, which uses a financial modeling technique based on explicit assumptions regarding the prospective cash flow from the properties. Under this method, an appropriate discount rate is applied to establish an indication of the present value of the income stream associated with the properties.

Other information about the fair value measurement and disclosures related to the investment property are presented in Note 26.4.

12. OTHER NON-CURRENT ASSETS

The composition of this account is shown below.

	<u>Notes</u>	<u>2013</u>	<u>2012</u>
Refundable deposits		P 87,084,316	P 65,127,857
Accumulated jackpot seed money		57,125,000	43,890,128
Miscellaneous	13, 21.4	<u>519,746,157</u>	<u>523,440,090</u>
		<u>P 663,955,473</u>	<u>P 632,458,075</u>

Refundable deposits and Accumulated jackpot seed money are perpetual in nature. Hence, the carrying amounts of these financial assets are reasonable estimation of their respective fair values.

Miscellaneous non-current assets as at December 31, 2013 and 2012 include P437.9 million advance payment made by the Company to a related party under common ownership for the purchase of certain condominium units (including parking lots) to be used by in-house entertainers and for future employee housing program (see Note 21.4). Also included in this account is the upfront fee for the term loan credit facilities entered into in 2012 by the Company with two financial institutions amounting to P71.5 million (see Note 13).

13. INTEREST-BEARING LOANS AND BORROWINGS

The short-term and long-term interest-bearing loans and borrowings pertain to bank loans from domestic banks. The composition of the Group's outstanding bank loans as at December 31, 2013 and 2012 is shown below.

	<u>Balance</u>	<u>Interest Rate</u>	<u>Nature</u>	<u>Maturity/Term</u>
2013:				
	P4.5 billion	Fixed at 2% + benchmark	Unsecured	December 2016
	U.S. \$3.2 million	Floating at a minimum of 3.0%	Secured	November 2014
2012:				
	P500.0 million	Fixed at 5.8%	Unsecured	30-180 days
	U.S. \$6.4 million	Floating at a minimum of 3.0%	Secured	November 2014
	P2.0 billion	Fixed at 5.8%	Unsecured	30-180 days
	P4.5 billion	Fixed at 2% + benchmark	Unsecured	December 2016

The interest-bearing loans and borrowings are classified in the consolidated statements of financial position as follows:

	<u>2013</u>	<u>2012</u>
Current:		
Current portion of long-term loans	P 1,603,268,951	P 131,814,400
Short-term loans	<u>-</u>	<u>2,500,000,000</u>
	1,603,268,951	2,631,814,400
Non-current portion of long-term loans	<u>2,968,477,555</u>	<u>4,524,481,108</u>
	<u>P 4,571,746,506</u>	<u>P 7,156,295,508</u>

In 2011, the Group entered into a term loan agreement with a local bank for a total commitment of P11.0 billion. As at December 31, 2013 and 2012, the Group has drawn P4.5 billion from this unsecured facility to settle its other secured loans from the same bank at the same amount (see Note 23.8). Principal amortization amounting to P375.0 million every quarter is due starting March 2014. The outstanding balance, net of unamortized capitalized transaction costs, is presented as Interest-bearing Loans and Borrowings in the current and non-current liabilities section of the consolidated statements of financial position.

In 2012, the Group entered into a U.S. \$250.0 million term loan facility agreement with two financial institutions (see Note 23.8). The Group may utilize the facility for financing and supporting the capital expenditures, fund investments and general corporate purposes of the Group. In order to facilitate the credit line, the Group paid an upfront fee. As no drawdown has yet been made on the credit facility in 2013 and 2012, the total payment for upfront fee amounting to P71.5 million was capitalized as part of Miscellaneous under the Other Non-current Assets account in the consolidated statements of financial position as at December 31, 2013 and 2012 (see Note 12).

The U.S. \$3.2 million (P142.1 million) loan is secured by a mortgage over an aircraft, which is reported as part of Transportation equipment under the Property and Equipment account in the consolidated statements of financial position (see Note 10), assignment of receivables and other income from the proposed block charter between the Company and APEC, assignment of insurance over the aircraft and unconditional and irrevocable guarantee of the Company. In this regard, the Company entered into a guarantee contract with the creditor bank whereby it guarantees that the principal amount and related interests will be paid as the payments fall due (see Note 23.4).

Total finance costs attributable to these loans, including amortization of capitalized transaction costs, amounted to P124.6 million, P91.4 million and P308.0 million in 2013, 2012 and 2011, respectively, and are presented as part of Interest expense under the Finance Costs account in the consolidated statements of comprehensive income (see Note 18.1). Unpaid interests as at December 31, 2013 and 2012 are presented as part of Accrued expenses under the Trade and Other Payables account in the consolidated statements of financial position (see Note 14). Total capitalized borrowing costs, net of related investment income from the temporary investment of the borrowings, amounted to P222.4 million and P282.8 million in 2013 and 2012, respectively. The capitalization rate used was 3.6% in 2013 and 1.1% in 2012 (see Note 10).

In addition, certain creditor banks require the Group to maintain a debt service coverage ratio of at least 1.50:1.00 and debt-equity ratio of not higher than 2.50:1.00. The Group has complied with loan covenants, including maintaining certain financial ratios, as at the reporting dates.

14. TRADE AND OTHER PAYABLES

This account consists of:

	Notes	2013	2012
Trade payables	21.2, 21.5	P 2,999,991,412	P 2,561,058,938
Accrued expenses:			
Advertising		665,613,194	288,330,445
Employee benefits		392,509,988	143,141,785
Flight operations		263,477,947	-
Interest	13, 15	167,959,625	163,081,431
Contract services		157,654,488	20,617,319
Rental		137,743,190	68,039,020
Casino operating expenses		100,287,924	31,092,172
Repairs and maintenance		74,715,933	25,658,571
Utilities		69,459,111	81,847,900
Management fees	21.3, 21.7, 23.2	65,050,245	139,193,908
Donation	23.3(c)	35,589,548	20,284,510
Others		161,564,206	130,461,312
Liability for unredeemed gaming points		590,043,790	390,747,485
License fee payables	20.2	578,926,247	492,994,825
Retention payables		186,508,876	180,855,508
Withholding taxes		149,587,094	299,255,210
Miscellaneous		515,836,692	393,644,218
		<u>P 7,312,519,510</u>	<u>P 5,430,304,557</u>

Trade payables include unredeemed gaming chips determined as the difference between total gaming chips placed in service and the actual inventory of gaming chips in custody or under the Company's control.

The liability for unredeemed gaming points represents the estimated costs of unredeemed casino gaming points issued, which are redeemable for complimentary goods or services of the Group.

Retention payables represent a portion of progress billings received from contractors for the construction work performed which is retained by the Group to bind contractors in completing the agreed tasks.

Employee benefits under Accrued expenses include the current portion of the Group's obligations to its current and former employees that is expected to be settled within 12 months from the end of the reporting period. These liabilities arise mainly from accrued salaries and other employee benefits at the end of the reporting period.

Other accrued expenses include accruals for repairs and maintenance, local and overseas travel, training and recruitment, dues and subscription, and other operating expenses.

Miscellaneous items mainly consist of unreleased checks which are reverted back to cash and liability at the end of the reporting period. These unreleased checks generally clear through the banks in the month immediately after the end of the reporting period.

15. NOTES PAYABLE

On November 3, 2010, the Company issued U.S. \$300.0 million (equivalent to P13.3 billion and P12.1 billion as at December 31, 2013 and 2012, respectively) notes that will mature in 2017 and with nominal interest of 6.9% per annum, payable semi-annually in arrears on May 3 and November 3 of each year commencing on May 3, 2011. The notes bear an annual effective interest rate of 7.2%. The note issuance was approved by the Company's BOD on August 29, 2010.

Subject to certain exceptions, the Company may, at its option, redeem the notes as follows:

- (a) in full at a price of 100.0% of the principal if certain changes in laws, treaties, regulations or rulings affecting taxes would require the Company to pay certain additional amount; and,
- (b) at any time prior to November 3, 2014, up to 35.0% of the principal amount at a price of 106.9% of the principal amount with the net cash proceeds of an equity offering.

Also, the Company is required to make an offer to purchase the notes at a price of 101.0% of the principal amount following a change in control, an example of which is the sale or other disposition of all or substantially all of the properties or assets of the Company to any person or entity.

The notes, among other things, restrict the Company ability to:

- (a) incur or guarantee additional indebtedness;
- (b) create or incur certain liens;
- (c) make certain payments, including dividends or other distributions, with respect to the shares of the Company or its subsidiaries;
- (d) prepay or redeem subordinated debt or equity;
- (e) make certain investments and capital expenditures;
- (f) create encumbrances or restrictions on the payment of dividends or other distributions, loans or advances to and on the transfer of assets to the Company;
- (g) sell, lease or transfer certain assets, including shares of stock of subsidiaries;
- (h) engage in certain transactions with affiliates;
- (i) enter into unrelated businesses or engage in prohibited activities; or,
- (j) consolidate or merge with other entities.

All of these limitations will be subject to significant exceptions and qualifications as defined in the terms and conditions of the notes, which are listed on the Singapore Exchange Securities Trading Limited.

The net proceeds amounting to U.S. \$292.3 million (P13.0 billion) from the issuance of the notes, after deducting direct issue costs, such as underwriting fees and commissions, documentary stamp tax and other expenses associated with the issue of the notes, are intended to finance capital and project expenditures, to refinance certain existing indebtedness, and for general corporate purposes.

Interest expense on the notes payable, including amortization of capitalized transaction costs, amounted to P1.1 billion, P1.0 billion and P1.2 billion in 2013, 2012 and 2011, respectively, and are presented as part of Interest expense under the Finance Costs account in the consolidated statements of comprehensive income (see Note 18.1). Outstanding interest payable as at December 31, 2013 and 2012 amounting to P154.2 million and P142.1 million, respectively, are presented as part of Accrued expenses under the Trade and Other Payables account in the consolidated statements of financial position (see Note 14).

On January 18, 2011, the Company's BOD authorized the Company to enter into a liability swap agreement involving floating-rate coupons with a certain bank at a notional amount of U.S. \$250.0 million of the notes. In accordance with the interest rate swap agreement, the Company receives a certain amount of fixed semi-annual interest and the bank receives floating semi-annual interest based on an index cumulative performance specifically defined by the bank.

Based on the mark-to-market valuation report, the Company recognized the losses on change in value of the related derivative financial liability amounting to P112.8 million, P368.6 million and P1.2 billion in 2013, 2012 and 2011, respectively, and presented as Unrealized loss on interest rate swap under the Finance Cost account in the statements of comprehensive income (see Note 18.1). Total payments amounted to P300.7 million in 2013 and P206.6 million in 2012. The related liability is presented as Derivative Liability in the consolidated statements of financial position.

16. OPERATING EXPENSES BY NATURE

The details of operating expenses by nature in 2013 are shown below.

	Notes	Direct Costs	General and Administrative Expenses	Total
General marketing	21.2	P -	P 8,054,377,010	P 8,054,377,010
Gaming license fees	20.2	6,506,213,809	-	6,506,213,809
Salaries, wages and employee benefits	19	2,484,948,613	1,346,375,835	3,831,324,448
Depreciation	10, 11	734,261,516	1,366,234,076	2,100,495,592
Food and beverage		773,266,107	-	773,266,107
Utilities and communication		-	728,417,440	728,417,440
Management fees	21.3, 21.7			
	23.2	-	649,312,320	649,312,320
Casino operating expenses		494,391,194	-	494,391,194
Entertainment, amusement and recreation		472,324,723	-	472,324,723
Repairs and maintenance		-	360,485,814	360,485,814
Donations and contributions	23.3(c)	-	341,689,093	341,689,093
Supplies		237,563,967	102,872,247	340,436,214
Rentals		78,731,122	250,759,511	329,490,633
Professional services		-	304,624,578	304,624,578
Flight operations		265,121,683	-	265,121,683
Security		-	121,728,418	121,728,418
Transportation and travel		-	98,985,880	98,985,880
Taxes and licenses		-	89,575,761	89,575,761
Miscellaneous		60,896,770	307,710,673	368,607,443
		<u>P12,107,719,504</u>	<u>P14,123,148,656</u>	<u>P 26,230,868,160</u>

This compares to the operating expenses incurred in 2012 (As Restated – see Note 2.2) as follows:

	<u>Notes</u>	<u>Direct Costs</u>	<u>General and Administrative Expenses</u>	<u>Total</u>
General marketing	21.2	P -	P 6,503,236,733	P 6,503,236,733
Gaming license fees	20.2	6,185,726,261	-	6,185,726,261
Salaries, wages and employee benefits	19	1,693,226,312	1,081,360,165	2,774,586,477
Depreciation	10, 11	664,335,341	1,045,632,261	1,709,967,602
Management fees	21.3, 21.7 23.2	-	726,969,758	726,969,758
Utilities and communication		-	716,304,616	716,304,616
Food and beverage		653,857,977	-	653,857,977
Donations and contributions	23.3(c)	-	574,806,843	574,806,843
Supplies		232,785,578	77,437,219	310,222,797
Professional services		-	201,269,935	201,269,935
Rentals		66,330,830	133,800,220	200,131,050
Repairs and maintenance		-	194,709,716	194,709,716
Casino operating expenses		145,790,604	-	145,790,604
Entertainment, amusement and recreation		106,188,082	-	106,188,082
Transportation and travel		-	81,549,849	81,549,849
Taxes and licenses		-	80,171,912	80,171,912
Security		-	73,342,635	73,342,635
Miscellaneous		<u>362,897,309</u>	<u>328,269,631</u>	<u>691,166,940</u>
		<u>P10,111,138,294</u>	<u>P11,818,861,493</u>	<u>P21,929,999,787</u>

This compares to the operating expenses incurred in 2011 (As Restated – see Note 2.2) as follows:

	Notes	Direct Costs	General and Administrative Expenses	Total
Gaming license fees	20.2	P 5,903,692,612	P -	P 5,903,692,612
General marketing	21.2	-	5,814,474,700	5,814,474,700
Salaries, wages and employee benefits	19	1,565,585,020	952,205,219	2,517,790,239
Depreciation	10, 11	648,348,371	727,668,862	1,376,017,233
Food and beverage		743,686,859	-	743,686,859
Management fees	21.3, 21.7			
	23.2	-	688,820,471	688,820,471
Utilities and communication		-	564,656,299	564,656,299
Supplies		198,121,369	174,132,585	372,253,954
Casino operating expenses		217,540,384	-	217,540,384
Entertainment, amusement and recreation		212,530,887	-	212,530,887
Transportation and travel		-	178,423,697	178,423,697
Rentals		55,293,559	88,084,480	143,378,039
Repairs and maintenance		-	129,891,337	129,891,337
Professional services		-	111,251,643	111,251,643
Taxes and licenses		-	87,193,879	87,193,879
Security		-	73,385,905	73,385,905
Miscellaneous		119,819,487	216,990,769	336,810,256
		<u>P 9,664,618,548</u>	<u>P 9,807,179,846</u>	<u>P 19,471,798,394</u>

17. OTHER OPERATING INCOME

The breakdown of this account is as follows:

	Notes	2013	2012	2011
Rentals	11, 23.1	P 321,043,503	P 291,702,499	P 224,304,898
Cinema		152,293,386	144,978,502	106,569,844
Productions shows		131,304,951	193,741,449	233,422,557
Parking		88,726,442	97,371,036	66,462,094
Commissions		35,686,720	30,377,010	22,080,918
Arcade		22,965,867	29,057,351	-
Laundry		16,527,279	13,387,015	11,551,115
Gain on sale of property and equipment	10	1,823,976	-	-
Others		<u>105,188,034</u>	<u>80,095,242</u>	<u>81,157,488</u>
		<u>P 875,560,158</u>	<u>P 880,710,104</u>	<u>P 745,548,914</u>

Others include revenues from limousine, spa and other service charges.

18. OTHER INCOME (CHARGES)

18.1 Finance Costs

The details of this account are as follows:

	<u>Notes</u>	<u>2013</u>	<u>2012</u> (As Restated – see Note 2.2)	<u>2011</u> (As Restated – see Note 2.2)
Interest expense	13, 15, 19.2	P 1,226,431,676	P 1,056,904,123	P 1,478,136,971
Foreign currency losses – net		693,982,431	-	182,713,605
Unrealized loss on interest rate swap	15	112,842,001	368,646,466	1,163,772,181
Bank charges		<u>3,538,456</u>	<u>4,567,773</u>	<u>5,801,334</u>
		<u>P 2,036,794,564</u>	<u>P 1,430,118,362</u>	<u>P 2,830,424,091</u>

18.2 Finance Income

The breakdown of this account is as follows:

	<u>Note</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Interest income	5	P 225,815,470	P 212,108,499	P 549,340,090
Foreign currency gains – net		<u>-</u>	<u>560,632,545</u>	<u>-</u>
		<u>P 225,815,470</u>	<u>P 772,741,044</u>	<u>P 549,340,090</u>

19. EMPLOYEE BENEFITS

19.1 Salaries and Employee Benefits Expense

Details of salaries and employee benefits are presented below (see also Notes 16 and 21.7).

	<u>Note</u>	<u>2013</u>	<u>2012</u> (As Restated – see Note 2.2)	<u>2011</u> (As Restated – see Note 2.2)
Short-term employee benefits		P 3,805,270,111	P 2,754,438,406	P 2,514,978,532
Post-employment benefit expense	19.2	<u>26,054,337</u>	<u>20,148,071</u>	<u>2,811,707</u>
		<u>P 3,831,324,448</u>	<u>P 2,774,586,477</u>	<u>P 2,517,790,239</u>

19.2 Post-employment Defined Benefit

(a) Characteristics of the Defined Benefit Plan

The Group has not yet established a formal retirement plan. However, it is required to pay qualified employees retirement benefits under R.A. 7641, which relates to a defined benefit plan. The Group obtains actuarial valuation to determine the balance of retirement benefit obligation and the amount of retirement benefit expense in accordance with PAS 19 (Revised) and the provisions of R.A. 7641.

(b) Explanation of Amounts Presented in the Financial Statements

Actuarial valuations are made periodically to update the retirement benefit costs. All amounts presented below are based on the actuarial valuation report obtained from an independent actuary in 2013 including the comparative financial statements for December 31, 2012 and the corresponding figures as of January 1, 2012 which has been restated in line with the adoption of PAS 19 (Revised), [see Note 2.2(a)(ii)].

The present value of the retirement benefit obligation amounted to P83.7 million, P103.0 million and P77.3 million as at December 31, 2013, 2012 and 2011, respectively, and is presented as Retirement Benefit Obligation in the consolidated statements of financial position.

The movements in the present value of the retirement benefit obligation recognized in the books are as follows:

	<u>2013</u>	2012 (As Restated – see Note 2.2)	2011 (As Restated – see Note 2.2)
Balance at beginning of year	P 102,951,396	P 77,294,177	P 34,906,583
Current service cost	26,054,337	20,148,071	28,758,901
Interest expense	4,008,136	5,509,148	6,848,846
Remeasurements:			
Actuarial losses (gains) arising from:			
Changes in demographic assumptions	(70,404,186)	-	(60,409,210)
Changes in financial assumptions	11,423,913	-	70,268,324
Experience adjustments	9,644,174	-	(3,079,267)
Balance at end of year	P 83,677,770	P 102,951,396	P 77,294,177

The components of amounts recognized in profit or loss and other comprehensive income in respect of the retirement benefit obligation are as follows:

	<u>Notes</u>	<u>2013</u>	2012 (As Restated – see Note 2.2)	2011 (As Restated – see Note 2.2)
<i>Reported in profit and loss:</i>				
Current service cost	19.1	P 26,054,337	P 20,148,071	P 28,758,901
Interest expense	18.1	4,008,136	5,509,148	6,848,846
Transitional adjustment		-	-	(25,947,194)
		P 30,062,473	P 25,657,219	P 9,660,553

	<u>2013</u>	<u>2012</u> (As Restated – see Note 2.2)	<u>2011</u> (As Restated – see Note 2.2)
<i>Reported in other comprehensive income –</i>			
Actuarial losses (gains) arising from:			
Changes in demographic assumptions	(P 70,404,186)	P -	(P 60,409,210)
Changes in financial assumptions	11,423,913	-	70,268,324
Experience adjustments	<u>9,644,174</u>	<u>-</u>	<u>(3,079,267)</u>
	<u>(P 49,336,099)</u>	<u>P -</u>	<u>P 6,779,847</u>

The amounts of post-employment benefits expense recognized in profit or loss are presented as part of the General and Administrative Expenses (for current service cost) and the Finance Cost (for interest expense) accounts in the consolidated statements of comprehensive income (see Notes 16 and 18.1).

Amounts recognized in other comprehensive income were included within items that will not be reclassified subsequently to profit or loss.

In determining the amounts of the retirement benefit obligation, the following actuarial assumptions were used:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Discount rate	5.24%	7.30%-8.02%	7.05%-7.45%
Expected rate of salary increase	4.00%	4.00%	4.00%

Assumptions regarding future mortality are based on published statistics and mortality tables. The average remaining working life of an individual retiring at the age of 60 is 29.4 years for males and 28.9 years for females. These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of a zero coupon government bonds with terms to maturity approximating to the terms of the retirement benefit obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(c) *Risks Associated with the Retirement Benefit Obligation*

The Group is exposed to actuarial risks such as interest rate risk, longevity risk and salary risk.

(i) *Interest Rate Risks*

The present value of the defined benefit obligation is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of a reference government bonds will increase the retirement benefit obligation.

(ii) *Longevity and Salary Risks*

The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of the participants during and employment, and to their future salaries. Consequently, increases in the life expectancy and salary of the participants will result in an increase in the retirement benefit obligation.

(iii) *Inflation Risk*

A significant proportion of the defined benefit obligation is linked to inflation. The increase in inflation will increase the Group's liability.

(d) *Other Information*

The information on the sensitivity analysis for certain significant actuarial assumptions and the timing and uncertainty of future cash flows related to the retirement benefit obligation are described below.

(i) *Sensitivity Analysis*

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the retirement benefit obligation as of December 31, 2013:

	Impact on Post-employment Benefit Obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
Discount rate	+/- 100 basis points	(P 6,620,634)	P 7,641,485
Salary growth rate	+/- 100 basis points	6,995,334	(6,216,587)

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. This analysis may not be representative of the actual change in the retirement benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analysis, the present value of the retirement benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the retirement benefit obligation recognized in the consolidated statements of financial position.

(ii) *Funding Arrangements and Expected Contributions*

The Group's management is yet to determine when it shall establish a formal plan to fund its retirement benefit obligation as at December 31, 2013.

The expected maturity of undiscounted expected benefits payments within the next ten years is as follows:

Within one year	P 1,146,786
More than one to five years	16,527,489
More than five years to ten years	<u>68,333,041</u>
	<u>P 86,007,316</u>

On the other hand, the weighted average duration of the retirement benefit obligation at the end of the reporting period is 22 years.

20. TAXES

20.1 Current and Deferred Taxes

The components of tax expense as reported in profit or loss in the consolidated statements of comprehensive income are as follows:

	<u>2013</u>	<u>2012</u> (As Restated – see Note 2.2)	<u>2011</u> (As Restated – see Note 2.2)
<i>Reported in profit or loss</i>			
Current tax expense:			
Final tax at 20% and 7.5%	P 44,118,751	P 44,036,103	P 78,329,710
Minimum corporate income tax (MCIT) at 2%	17,533,198	19,450,868	16,480,119
RCIT at 30%	6,546,739	9,044,621	352,517
GIT at 5%	<u>3,987,056</u>	<u>-</u>	<u>-</u>
	72,185,744	72,531,592	95,162,346
Deferred tax expense (income) arising From origination and reversal of temporary difference	(<u>5,520,558</u>)	(<u>4,377,505</u>)	<u>2,532,207</u>
	<u>P 66,665,186</u>	<u>P 68,154,087</u>	<u>P 97,694,553</u>
<i>Reported in other comprehensive income (loss)</i>			
Deferred tax expense (income) relating to origination and reversal of temporary differences	P <u>13,362,162</u>	P <u>-</u>	(P <u>1,252,162</u>)

A reconciliation of tax on pretax profit computed at the applicable statutory rates to tax expense reported in profit or loss in the consolidated statements of comprehensive income is as follows:

	<u>2013</u>	<u>2012</u> (As Restated – see Note 2.2)	<u>2011</u> (As Restated – see Note 2.2)
Tax on pretax profit at 30%	P 841,854,504	P 2,040,711,087	P 1,476,581,373
Adjustment for income subjected to lower tax rates	(43,453,544)	(16,420,246)	(86,472,213)
Tax effects of:			
Non-taxable income	(8,432,102,201)	(8,102,340,275)	(7,492,694,497)
Non-deductible expenses	6,789,332,349	5,718,016,277	5,687,764,575
Unrecognized deferred tax asset (DTA) on net operating loss carryover (NOLCO)	781,515,941	546,357,779	113,617,086
Unrecognized DTA on other temporary differences	112,386,188	(137,621,403)	382,418,110
Unrecognized DTA on MCIT	17,533,198	19,450,868	16,480,119
Utilization of NOLCO	(<u>401,249</u>)	<u>-</u>	<u>-</u>
	<u>P 66,665,186</u>	<u>P 68,154,087</u>	<u>P 97,694,553</u>

As at December 31, 2013 and 2012, the Group has deferred tax assets amounting to P12.4 million and P15.3 million, respectively, arising from the retirement benefit obligation recognized in the books of BLMI, GSI and GVMSI.

The Group did not recognize the deferred tax assets on other deductible temporary differences as management has assessed that it may not be able to realize their related tax benefits. As of December 31, 2013 and 2012, the total unrecognized net deferred tax assets relate to the following:

	December 31, 2013		December 31, 2012		December 31, 2011	
	Amount	Tax Effect	Amount	Tax Effect	Amount	Tax Effect
NOLCO	P 4,803,680,885	P 1,441,104,266	P 3,695,649,743	P 1,108,694,923	P 1,969,676,764	P 590,903,030
Unrealized loss on interest rate swap	1,137,998,386	341,399,516	1,325,831,385	397,749,416	1,163,772,181	349,131,654
MCIT	53,464,185	53,464,185	42,578,802	42,578,802	23,127,934	23,127,934
Retirement benefit obligation	47,776,089	14,332,827	32,116,920	9,635,076	21,051,383	6,315,415
Unrealized foreign currency losses (gains) - net	12,578,916	3,773,675	(536,950,652)	(161,085,196)	94,912,099	28,473,630
	<u>P 6,055,498,461</u>	<u>P 1,854,074,469</u>	<u>P 4,559,226,198</u>	<u>P 1,397,573,021</u>	<u>P 3,272,540,361</u>	<u>P 997,951,663</u>

The deferred tax liability on net unrealized foreign currency gains in 2012 was not recognized since the Group has sufficient deferred tax assets to cover any future tax liability that will arise from this temporary taxable difference.

The details of the Group's NOLCO are as follows:

Year Incurred	Amount	Applied Amount	Expired Amount	Remaining Balance	Valid Until
2013	P 2,605,053,137	P -	P -	P 2,605,053,137	2016
2012	1,821,241,273	1,337,144	-	1,819,904,129	2015
2011	378,723,969	350	-	378,723,619	2014
2010	<u>1,495,629,381</u>	<u>-</u>	<u>1,495,629,381</u>	<u>-</u>	2013
	<u>P 6,300,647,760</u>	<u>P 1,337,494</u>	<u>P 1,495,629,381</u>	<u>P 4,803,680,885</u>	

The Group is subject to MCIT which is computed at 2% of gross income, as defined under the tax regulations or RCIT, whichever is higher. The details of the Group's MCIT are as follows:

Year Incurred	Amount	Expired Balance	Remaining Balance	Valid Until
2013	P 17,533,198	P -	P 17,533,198	2016
2012	19,450,868	-	19,450,868	2015
2011	16,480,119	-	16,480,119	2014
2010	<u>6,647,815</u>	<u>6,647,815</u>	<u>-</u>	2013
	<u>P 60,112,000</u>	<u>P 6,647,815</u>	<u>P 53,464,185</u>	

The Group opted to claim itemized deductions in computing for its income tax due for the reporting periods.

20.2 Taxation of Casino Operations

Under the Provisional License Agreement with PAGCOR, the Company is subject to 25% and 15% license fees, in lieu of all taxes, with reference to the income component of the gross gaming revenues. The license fees are directly remitted by the Company to PAGCOR as required under the Provisional License Agreement. Total license fees recognized amounted to P6.5 billion, P6.2 billion and P5.9 billion in 2013, 2012 and 2011, respectively, and are presented as Gaming license fees as part of Direct Costs in the consolidated statements of comprehensive income (see Note 16). The outstanding liabilities are presented as License fee payables under the Trade and Other Payables account in the consolidated statements of financial position (see Note 14).

Sections 13.2(a) and (b) of Presidential Decree (P.D.) No. 1869, as amended, otherwise known as the PAGCOR Charter, grants PAGCOR an exemption from tax of any kind or form, income or otherwise, as well as fees, charges or levies of whatever nature, whether National or Local, except for the 5% franchise tax on gross revenue or earnings derived by PAGCOR from its operation under its franchise.

The PAGCOR Charter further provides that the tax exemption granted to PAGCOR shall inure to the benefit of and extend to entities with whom PAGCOR has any contractual relationship in connection with the operation of casinos. Pursuant thereto, the Provisional License Agreement entered into by the Company with PAGCOR included a provision on license fees in lieu of all taxes with reference to the income component of the gross gaming revenues. As such, the Company remits to PAGCOR the 25% and 15% license fees and does not pay any other taxes on its gaming revenues.

In April 2013, however, the BIR issued RMC 33-2013 which clarified that PAGCOR, its contractees and its licensees are no longer exempt from corporate income tax under the National Internal Revenue Code of 1997, as amended.

The Company, together with other PAGCOR licensees, is in consultation with PAGCOR to arrive at a fair and equitable solution for PAGCOR to ensure that the provisions of the Provisional License will be honored and given full force and effect. PAGCOR has confirmed its commitment to abide by the terms of the Provisional License, specifically insofar as the license fees are intended and contemplated to be in lieu of all taxes with reference to the income component of gross gaming revenues [see Note 23.3(e)].

Pending discussions with PAGCOR, no reliable estimate of the obligation under the RMC 33-2013 can be ascertained. Moreover, management is confident that a fair and equitable resolution will be made in keeping with the true spirit and intent of its Provisional License that the Company will not be exposed to further tax liabilities except the license fees as contemplated therein. Hence, no provision has been recognized in the consolidated financial statements as at the end of each reporting period.

20.3 Registration with the Philippine Economic Zone Authority (PEZA)

The Company was registered with the PEZA on December 16, 2008 as a Tourism Economic Zone Enterprise as owner of 178 rooms in Maxims and 342 rooms in Marriott in the Newport City Cybertourism Zone. In 2012, Remington Hotel and the Newport Entertainment and Commercial Centre were also registered with the PEZA. As a PEZA-registered enterprise, the Company is entitled to certain tax incentives which include:

- (a) ITH for four years on income solely derived from servicing foreign tourists. Upon expiry of the ITH period, the Company shall pay the 5% GIT, in lieu of all national and local taxes, provided that the Company shall have the option to forego the ITH incentive entitlement and immediately avail of the 5% GIT incentive upon the start of commercial operations subject to the Company's submission to PEZA of its Board Resolution on said waiver of the ITH incentive; and,
- (b) Tax and duty-free importation of capital requirement for use in the technical viability and operation of the registered activity of the Company.

In 2013, certain portion of the Company's hotel operations under the ITH has expired. Accordingly, the Company recognized the related GIT, which is presented as part of current tax expense in the profit or loss section of the 2013 consolidated statement of comprehensive income (see Note 20.1).

21. RELATED PARTY TRANSACTIONS

The Group's related parties include its stockholders, companies under common ownership, the Company's key management personnel and others as described in the succeeding page.

21.1 Summary of Related Party Transactions

The summary of the Group's transactions and outstanding balances with its related parties follow:

Related Party Category	Notes	Amount of Transaction			Outstanding Balance	
		2013	2012	2011	2013	2012
Related Parties Under Common Ownership:						
Advance subscription	23.5, 21.6	(P 89,939,150)	P 91,189,150	P -	P 1,250,000	P 91,189,150
Obtaining of cash advances - net of repayments	21.6	(140,055,311)	(17,210,470)	-	(157,265,781)	(17,210,470)
Management fees	21.3	33,623,683	42,002,171	17,222,313	(30,866,479)	-
Granting of cash advances	21.6	5,174,689	(74,126,652)	198,721,595	37,733,864	32,559,175
Purchase of land	21.5	-	2,212,943,000	-	(570,298,250)	(1,011,405,973)
Prepayment of condominium units	21.4	-	-	437,866,850	437,866,850	437,866,850
Transfer of property and equipment	21.8	235,542,190	-	-	235,542,190	-
Stockholders:						
Casino transactions	21.2	9,911,409,089	8,722,105,033	14,611,122,743	329,046,155	847,048,733
Incidental rebate charges	21.2	2,653,102,036	2,522,926,974	2,166,770,132	(331,528,281)	(80,777,594)
Management fees	21.7	562,848,779	631,335,697	624,475,469	(23,996,555)	(127,590,957)
Officers and employees:						
Key management compensation	21.7	316,355,384	286,430,557	163,277,067	9,020,987	8,111,978
Granting of cash advances	21.6	56,513,247	44,666,781	4,445,585	121,738,390	65,225,143
Others -						
Obtaining of advances - net of repayments	21.6	(361,978)	(388,222)	2,864,993	(4,703,522)	(4,341,544)

No impairment loss is recognized for the reporting periods on the outstanding balances from related parties in connection to these transactions.

21.2 International Marketing and Joint Co-operation Agreement with GHL

In 2009, the Company entered into an international marketing agreement with GHL whereby the related party will handle the promotion of the Company's casinos and will bring in foreign patrons to play in the Company's casinos. As a consideration for such service, the Company shall pay the related party an amount equivalent to a certain percentage of gross gaming revenues recognized by the Company from foreign patrons brought in by GHL.

In 2012, the Company and GHL terminated the international marketing agreement and executed a joint co-operation agreement to revise the consideration for the services of GHL to the Company from a certain percentage of gross gaming revenues to a certain percentage of net turnover.

Incidental rebate charges arising from this transaction are presented as part of General marketing under the General and Administrative Expenses account in the consolidated statements of comprehensive income (see Note 16). The outstanding balances of payables are presented as part of Trade payables under the Trade and Other Payables account in the consolidated statements of financial position (see Note 14).

The Group also recognized outstanding receivables from GHL representing show money received by GHL from foreign patrons which the related party will later remit to the Group. The outstanding balances of receivables are presented as part of Trade receivables under Trade and Other Receivables in the consolidated statements of financial position (see Note 6).

21.3 Management Agreement with a Related Party

On July 19, 2010, the Company entered into a Management Agreement with a related party under common ownership, whereby the latter shall provide management services to the Company, such as the handling of billings to and collections from tenants, and overall administration of the Company's leasing operations. As a consideration for such services, the Company shall pay the related party based on certain rates of collection, plus commission. Consideration for the services rendered by the related party is presented as part of Management fees under the General and Administrative Expenses account in the consolidated statements of comprehensive income (see Note 16). The outstanding balance of management fees are presented as part of Accrued expenses under the Trade and Other Payables account in the consolidated statements of financial position (see Note 14).

21.4 Advance Payments to a Related Party

On September 15, 2011, the Company entered into a contract to buy and sell with a related party under common ownership, wherein the Company shall purchase condominium units from the latter to be used by in-house entertainers and for future employee housing program. Total consideration paid by the Company amounted to P437.9 million, which is presented as part of Miscellaneous under the Other Non-current Assets account in the consolidated statements of financial position (see Note 12).

21.5 Acquisition of Land from a Related Party

In 2012, the Company entered into two contracts with a related party under common ownership for the purchase of parcels of land for a total purchase price of P2.2 billion. The purchase price is payable through down payments at the time of purchase with the remaining balance payable in 36 equal monthly installments. As of December 31, 2013 and 2012, the unpaid balance of these purchases of parcels of land amounted to P570.3 million and P1.0 billion, respectively. The current portion of the unpaid balance amounting to P553.2 million and P455.6 million as at December 31, 2013 and 2012, respectively, is presented as part of Trade payables under the Trade and Other Payables account (see Note 14) while the non-current portion amounting to P17.1 million and P555.8 million as at December 31, 2013 and 2012, respectively, is presented as part of Other Non-current Liabilities account in the consolidated statements of financial position.

21.6 Advances to and from Related Parties

In the normal course of business, the Group obtains from and grants unsecured, noninterest-bearing, cash advances to its related parties for working capital requirements and other purposes. The details of Advances to Related Parties account as at December 31 are as follows:

	<u>Note</u>	<u>2013</u>	<u>2012</u>
Officers and employees		P 121,738,390	P 65,225,143
Others	23.5	<u>38,983,864</u>	<u>123,748,325</u>
		<u>P 160,722,254</u>	<u>P 188,973,468</u>

The changes in Advances to Related Parties account are shown below.

	<u>2013</u>	<u>2012</u>
Balance at beginning of year	P 188,973,468	P 127,244,189
Additions	367,799,745	214,284,553
Repayments	(396,050,959)	(152,555,274)
Balance at end of year	<u>P 160,722,254</u>	<u>P 188,973,468</u>

The Advances from Related Parties account as of December 31 is composed of the following:

	<u>2013</u>	<u>2012</u>
Star Cruises	P 157,265,781	P 17,210,470
Others	<u>4,703,522</u>	<u>4,341,544</u>
	<u>P 161,969,303</u>	<u>P 21,552,014</u>

The changes in Advances from Related Parties account are shown below.

	<u>2013</u>	<u>2012</u>
Balance at beginning of year	P 21,552,014	P 3,953,322
Additions	248,619,994	1,312,102,923
Repayments	(108,202,705)	(1,294,504,231)
Balance at end of year	<u>P 161,969,303</u>	<u>P 21,552,014</u>

The advances to and from related parties have no fixed repayment terms and are generally payable in cash on demand, or through offsetting arrangements with the related parties. Parties agreed that costs, if any, arising from those transactions shall be shouldered by the Group.

21.7 Operations and Management Agreement with GHL/Key Management Personnel Compensation

Some of the Group's administrative functions are being handled by certain key officers and employees under the management of GHL as agreed by both parties under the Operations and Management Agreement. Management fees are presented as part of Management fees under the General and Administrative Expenses account in the consolidated statements of comprehensive income (see Note 16). The outstanding liability arising from this transaction is presented as part of Accrued expenses in the Trade and Other Payables account in the consolidated statements of financial position (see Note 14).

The compensation of other key management personnel which is presented as part of Salaries, wages and employee benefits under the General and Administrative Expenses account in the consolidated statements of comprehensive income is broken down as shown below (see Note 16).

	<u>2013</u>	<u>2012</u> (As Restated – see Note 2.2)	<u>2011</u> (As Restated – see Note 2.2)
Short-term benefits	P 316,355,384	P 281,366,598	P 168,146,258
Post-employment benefit expense (income)	<u>2,272,335</u>	<u>5,063,959</u>	<u>(4,869,191)</u>
	<u>P 318,627,719</u>	<u>P 286,430,557</u>	<u>P 163,277,067</u>

21.8 Transfer of Construction in Progress

In 2013, the Group transferred certain portion of construction in progress at cost to a related party under common ownership, which remains unpaid as of December 31, 2013 (see Notes 6 and 10).

22. EQUITY

22.1 Capital Stock

Capital stock consists of:

	2013		2012	
	Number of Shares	Amount	Number of Shares	Amount
Preferred A – (P0.10 par value in 2013, P1.0 par value in 2012)				
Authorized	<u>73,000,000,000</u>	<u>P 7,300,000,000</u>	<u>9,900,000,000</u>	<u>P9,900,000,000</u>
Issued	<u>73,000,000,000</u>	<u>7,300,000,000</u>	<u>9,900,000,000</u>	<u>9,900,000,000</u>
Treasury shares – at cost	<u>(73,000,000,000)</u>	<u>(7,300,000,000)</u>	<u>(8,584,100,000)</u>	<u>(8,584,100,000)</u>
Total outstanding	<u>-</u>	<u>-</u>	<u>1,315,900,000</u>	<u>1,315,900,000</u>
Preferred B – P0.01 par value				
Authorized	<u>20,000,000,000</u>	<u>P 200,000,000</u>	<u>-</u>	<u>P -</u>
Issued	<u>20,000,000,000</u>	<u>200,000,000</u>	<u>-</u>	<u>-</u>
Treasury shares – at cost	<u>(10,000,000,000)</u>	<u>(100,000,000)</u>	<u>-</u>	<u>-</u>
Total outstanding	<u>10,000,000,000</u>	<u>100,000,000</u>	<u>-</u>	<u>-</u>
Common – (P0.10 par value in 2013, P1.0 par value in 2012)				
Authorized	<u>25,000,000,000</u>	<u>P 2,500,000,000</u>	<u>100,000,000</u>	<u>P 100,000,000</u>
Issued	<u>25,000,000,000</u>	<u>P 2,500,000,000</u>	<u>100,000,000</u>	<u>P 100,000,000</u>
Treasury shares – at cost	<u>(9,244,125,150)</u>	<u>(924,412,515)</u>	<u>-</u>	<u>-</u>
Total outstanding	<u>15,755,874,850</u>	<u>1,575,587,485</u>	<u>100,000,000</u>	<u>100,000,000</u>
		<u>P 1,675,587,485</u>		<u>P1,415,900,000</u>

On November 18, 2010, the Company's BOD approved the buy-back of 4.3 billion preferred shares at par value, or P4.3 billion, from its stockholders, in proportion to their respective shareholdings in the Company. The funds used for the buy-back were taken from internally generated funds. The buyback was fully settled in January 2011.

On February 23, 2012, the Company's BOD approved a similar transaction to buy-back additional 4.3 billion preferred shares at par value, or P4.3 billion, from its stockholders, in proportion to the respective shareholdings in the Company. The entire redemption price was settled in March 2012. The funds used for the buy-back were taken from internally generated funds.

On June 8, 2013, the Company approved the reclassification of its authorized capital from P10.0 billion divided into 9.9 billion voting, participating and reissuable preferred shares, redeemable at the option of the Company, and 100 million common shares, both with a par value of P1.0 per share, into P10.0 billion divided into 25 billion common shares with par value of P0.10 per share, 73 billion redeemable, non-voting, non-participating and reissuable preferred A shares with par value of P0.10 per share; and, 20 billion redeemable, voting, participating and reissuable preferred B shares with par value of P0.01 per share. All the preferred shares are convertible into common shares and redeemable at the option of the Company under such terms and conditions as may be determined by the Company. The reclassification was subsequently approved by the SEC on June 26, 2013.

Also, on June 8, 2013, the Company's BOD approved the reissuance of 10.0 billion preferred B shares previously held under treasury at par value or P100.0 million. The preferred B shares are entitled to receive dividends at a rate, price, amount of participation, and other terms and conditions to be fixed by the Company prior to the dividend issue date. The unpaid portion of the reissue price representing subscription receivable of P75.0 million is presented as part of Others under Trade and Other Receivables account in the 2013 statement of financial position (see Note 6).

On November 5, 2013 and December 6, 2013, the Company issued through Initial Public Offering (IPO) 1,573,222,300 common shares and exercised its over-allotment option of 23,645,550 common shares, respectively, at an issue price of P11.28 per common share. Such issuances resulted to an increase in APIC of P16.6 billion, which is net of IPO-related expenses of P1.3 billion.

The Company's loan agreement with a local bank provides that the Company shall not acquire or retire capital stock, or distribute asset to stockholders prior to the amortization of the credit facility obtained from the local bank. In November 2010, the Company requested for the waiver of such provision which was approved by the local bank.

The Company's loan agreement with a local bank also provides that the Company shall not amend its Articles of Incorporation and By-Laws. In May 2013, the Company requested for the waiver of such provision which was also approved by the local bank.

As of December 31, 2013, there are 13 holders of the listed common shares owning at least one board lot of 100 shares. All shares of common stock of the Company are listed on the PSE. Such listed shares closed at P10.28 per share as of December 27, 2013 (the last trading day in 2013).

22.2 Retained Earnings

The Company's loan agreement with a local bank provides that the Company shall not declare or pay cash dividends to stockholders prior to the amortization of the credit facility obtained from the local bank. On May 20, 2013, the Company requested for the waiver of such provision which was approved by the local bank. Accordingly, the Company's BOD approved cash dividends which are summarized below.

<u>Date of Declaration</u>	<u>Date of Record</u>	<u>Date of Payment</u>	<u>Amount</u>
May 24, 2013	March 31, 2013	September 30, 2013	P 6,140,700,000
September 30, 2013	July 31, 2013	-	<u>1,299,210,000</u>
			<u>P 7,439,910,000</u>

The cash dividends amounting to P1.3 billion is presented as Dividends Payable in the 2013 consolidated statement of financial position. No dividends were declared nor paid in 2012 and 2011.

The Company's retained earnings are restricted to the extent of the cost of the treasury shares as of the end of the reporting periods.

23. COMMITMENTS AND CONTINGENCIES

23.1 Operating Lease Commitment – Group as Lessor

The Group is a lessor under non-cancellable operating lease agreements covering certain office, commercial and other spaces. The leases have terms ranging from three to seven years, with renewal options, and include annual escalation rate of 3% to 10%. The future minimum lease receivables under these non-cancellable operating leases as at the December 31 are shown below.

	<u>2013</u>	<u>2012</u>
Within one year	P 200,514,163	P 198,715,243
After one year but not more than five years	201,038,967	227,344,923
More than five years	<u>26,858,347</u>	<u>37,508,513</u>
	<u>P 428,411,477</u>	<u>P 463,568,679</u>

Total rentals from these operating leases in 2013, 2012 and 2011 amounted to P280.1 million, P253.1 million and P215.2 million, respectively, and presented as part of Rentals under the Other Operating Income account in the consolidated statements of comprehensive income (see Note 17).

23.2 Various Agreements with the Marriott Group

(a) Management Agreement

The Group and Marriott International B.V. (MHI) entered into a management agreement whereby the Group shall engage MHI to supervise, direct and control the management and operation of first-class, full service international hotel (the Hotel) on Site B.

(b) Technical Service Agreement

The Group also entered into a technical service agreement with Marriott International Design and Construction Services Inc. (MIDCS), whereby MIDCS will provide certain technical services in an advisory capacity during the course of the design and construction of the Hotel for the purpose of ensuring that the Hotel shall be planned, designed, constructed, furnished and equipped to Marriott's standards and in accordance with time schedules and design documents approved by MIDCS.

(c) International Services Agreement

The Group entered into an International Services Agreement with the International Hotel Licensing Company S.A.R.L. (IHLC). Under the terms of the agreement, IHLC shall perform certain services in support of the Hotel outside the Philippines. Such services are generally made available to hotels in the Marriott System and shall include the international advertising, promotion and sales programs, core training programs and other training programs for the benefit of Hotel employees, special services and programs for the benefit of the Marriott System, and the reservations system, property management system and other systems.

(d) *License and Royalty Agreements*

The Company entered into License and Royalty Agreement with Marriott International Licensing Company B.V. (MILC) whereby the latter shall grant to the Company a nonexclusive and nontransferable right and license within Metro Manila to use the Marriott Trademarks for hotel services and other related goods and services offered only in connection with the Hotel.

Payments to be made by the Company shall be computed based on the provisions of the above agreements. Total amounts recognized from these transactions in 2013, 2012 and 2011 totaled P23.9 million, P53.6 million and P47.1 million, respectively, and are presented as part of Management fees under the General and Administrative Expenses account in the consolidated statements of comprehensive income (see Note 16). Outstanding liability as at December 31, 2013, and 2012 amounted to P10.2 million and P11.6 million, respectively, and is presented as part of Accrued expenses in the Trade and Other Payables account in the consolidated statements of financial position (see Note 14).

23.3 Provisional License Agreement with PAGCOR

On June 2, 2008, PAGCOR issued a Provisional License (License) authorizing the Company to participate in the development of a portion of Site A and Site B, which is part of a larger scale integrated tourism project envisioned by the PAGCOR, and to establish and operate casinos, and engage in gambling activities in Sites A and B (collectively referred to as the Project). The term of the Company's License shall be co-terminus with PAGCOR's franchise which will expire on July 11, 2033 and shall be renewed subject to the terms of the PAGCOR Charter.

(a) *Debt–Equity Ratio Requirement*

The license agreement provides, among others, that the Company's License may be revoked or suspended upon failure of the Company to comply with the 70% Debt – 30% Equity ratio requirement of PAGCOR (see Note 27). As at December 31, 2013, 2012 and 2011, the Company is in compliance with this provision.

(b) *Investment Commitments*

As required by the License Agreement, the Company is required to complete its U.S. \$1.32 billion (about P58.6 billion) investment commitment in phases, which amount is divided into Site A and Site B with the minimum investment of U.S. \$1.1 billion (about P48.9 billion) and U.S. \$216.0 million (about P9.6 billion), respectively. The cost of the Project includes land acquisition costs, costs related to securing development rights, construction, equipment acquisition, development costs, financing costs and all other expenses directly related to the completion of the Project.

The Company is required to fully invest and utilize in the development of the Project at least 40% each of its total investment commitment for Site A and Site B within two years from execution of the License Agreement for Site A.

As a requirement in developing the aforementioned Project, the Company transferred U.S. \$100.0 million (about P4.4 billion) to an escrow account with a local bank mutually agreed by PAGCOR and the Company. At any given time, the escrow account shall have a maintaining balance of not lower than U.S. \$50.0 million (about P2.2 billion) (see Note 5). For failure to comply with such maintaining balance requirement, the Company shall be charged by PAGCOR an amount equal to P2.5 million for every 15 days until the noncompliance is corrected. The Company is authorized to withdraw from the escrow deposit for the construction costs and other fees for the development of the investment commitment. The investment amount shall be exhausted for each phase of the Project.

As at December 31, 2013, the Company has spent P33.5 billion for its casino projects pursuant to its investment commitment under the Provisional License.

The Company has short-term placements amounting to U.S. \$65.4 million (P2.9 billion) as at December 31, 2013 and 2012 to meet its requirements with PAGCOR in relation to the Company's investment commitments (see Note 5).

(c) *Requirement to Establish a Foundation*

The Company, with the approval of PAGCOR, is required to incorporate and register a foundation for the restoration of cultural heritage not later than 60 days from the signing of the License Agreement. In compliance with the said requirement, Manila Bayshore Heritage Foundation, Inc. (or the Foundation) was incorporated in the Philippines on September 7, 2011 primarily to engage in various activities for charitable, educational, cultural and artistic purposes, and to promote, perpetuate, preserve and encourage Filipino culture.

The Foundation shall be funded by the Company by setting aside funds on a monthly basis. The funds set aside shall be remitted to the Foundation on or before the 10th day of the succeeding month. The Company recognized accrual based on 2% of total gross gaming revenues from non-junket tables.

Upon receipt of the notice to proceed from PAGCOR in 2013, the Foundation has started to undertake certain construction and school projects in Pasay and Paranaque cities in partnership with the Philippine Department of Education.

As of December 31, 2013, the Company remitted to the Foundation a total of P1.0 billion representing donations for the current and prior years. Donations made to the Foundation are recorded as part of Donations and Contributions under the General Administrative account in the consolidated statements of comprehensive income (see Note 16). The outstanding liability as at December 31, 2013 and 2012 is presented as part of Accrued expenses under the Trade and Other Payables account in the consolidated statements of financial position (see Note 14).

(d) *Accession of Resorts World Bayside City, Inc. (RWBCI) to the Provisional License*

On March 18, 2013, the Company and RWBCI, a related party under common ownership, entered into a deed of accession (the Deed of Accession), which was accepted, agreed and consented to by PAGCOR. Pursuant to the Deed of Accession, RWBCI acceded to the rights, title, interests and obligations of the Company under the Provisional License and the Joint Venture Agreement with PAGCOR. Accordingly, PAGCOR recognized and included RWBCI as a co-licensee and co-holder of the Provisional License and the Joint Venture Agreement.

Further, on June 10, 2013, the Company and RWBCI entered into a cooperation agreement (the Cooperation Agreement) which designates the parties' respective rights, interests and obligations under the Provisional License and the Joint Venture Agreement. Specifically, the parties agreed that RWBCI shall exercise all the rights and obligations under the Provisional License with respect to Site A and that the Company shall exercise all the rights and obligations with respect to Site B.

Accordingly, on June 28, 2013, PAGCOR issued an Amended Certificate of Affiliation and Provisional License certifying the Company and RWBCI as co-licensees and co-holders of the Provisional License and the Joint Venture Agreement.

(e) *Tax Contingencies of Casino Operations*

As more fully discussed in Note 20.2, with respect of to the effects of RMC 33-2013, the Company together with other PAGCOR licensees, is in consultation with PAGCOR to arrive at a favorable and equitable solution for PAGCOR to ensure that the provisions of the Provisional License will be honored and given full force and effect. PAGCOR has confirmed its commitment to abide by the terms of the Provisional License, specifically insofar as the license fees are intended and contemplated to be in lieu of all taxes with reference to the income component of the gross gaming revenues. Pending discussions with PAGCOR, no reliable estimate of the obligation under RMC 33-2013 can be ascertained. Moreover, management is confident that a fair and equitable resolution will be made in keeping with the true spirit and intent of its Provisional License that the Company will not be exposed to further tax liabilities except the license fees as contemplated therein. Hence, no provision has been recognized in the consolidated financial statements as at the end of each reporting period.

23.4 Financial Guarantee

In 2010 and 2009, APEC obtained two tranches of interest-bearing loans with an original amount of U.S. \$8.0 million (P355.3 million) each, from a local bank to partially repay the Company for amounts it advanced to APEC relating to APEC's purchase of an aircraft. In 2009, the Company entered into a guarantee contract with the local bank whereby it guarantees that the principal amount and related interests will be paid as the payments fall due. The outstanding balance of APEC's loan as at December 31, 2013 and 2012 is P142.1 million and P263.6 million, respectively, and is presented as part of Interest-bearing Loans and Borrowings under current liabilities (see Note 13).

23.5 Commitment to Purchase Shares of Stock

In 2012, the Company and a related party under common ownership entered into an agreement wherein the Company committed itself to purchase shares of stock of said related party in another entity subject to the fulfillment of various conditions. Upon signing of the agreement, the Company paid the third party a portion of the total consideration. As at December 31, 2012, the conditions under the agreement have not yet been completely fulfilled. The payment made by the Company is presented as part of Advances to Related Parties in the 2012 consolidated statement of financial position (see Note 21.6).

In February 2013, the Company made further payments in connection with the said agreement. However, in March 2013, the Company decided to no longer pursue the agreement. Thus, the Company assigned all of its rights, interests and obligations emanating from the earlier agreement to a third party for the consideration of full reimbursement of all payments earlier made and assumption of all obligations under the agreement. No gain or loss was recognized by the Company in connection with the assignment of its rights, interests and obligations as the consideration is equivalent to the payments made by the Company in connection with the earlier agreement. Related receivables arising from such assignment is presented as part of Others under Trade and Other Receivables account (see Note 6).

23.6 Participation in the Incorporation of Entertainment City Estate Management, Inc. (ECEMI)

As a PAGCOR licensee, the Company committed itself to take part in the incorporation of ECEMI in 2012, a non-stock, non-profit entity that shall be responsible for the general welfare, property, services and reputation of the Bagong Nayong Pilipino Entertainment City Manila. As at December 31, 2013 and 2012, contributions made to ECEMI booked in favor of the Company amounted to P2.1 million and is presented as part of Others under the Trade and Other Receivables account (see Note 6).

23.7 Commitment to Finance a Construction Project

In 2012, the Company entered into a Memorandum of Agreement (the Agreement) with PAGCOR and three other parties for a certain construction project. Under the Agreement, the Company, together with the three other parties thereto, shall participate in the development of the said project through their commitment to an infrastructure support fund up to a maximum aggregate amount of P6.5 billion. As at December 31, 2013, the said construction project has not yet been started.

In April 2013, PAGCOR received a confirmation letter from another government institution that the particular construction project was successfully tendered and that the infrastructure support fund is no longer necessary to support the project.

23.8 Others

As at December 31, 2013 and 2012, the Group has unused letters of credit with a certain local bank amounting to P6.5 billion (see Note 13).

In 2012, the Group obtained a similar facility from certain financial institutions. Unused letter of credit with these financial institutions amounted to U.S. \$250.0 million (P11.1 billion) as at December 31, 2013 and 2012 (see Note 13).

Also, the Group in the normal course of its business makes various commitments and incurs certain contingent liabilities which are not reflected as at the end of the reporting periods in the consolidated financial statements. Management believes that losses, if any, that may arise from these commitments and contingencies will not have any material effects on the consolidated financial statements.

24. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks in relation to financial instruments. The Group's financial assets and liabilities by category are summarized in Note 25. The main types of risks are market risk (foreign currency, interest rate risk and other price risk), credit risk and liquidity risk.

The Group's risk management is coordinated with its BOD and focuses on actively securing the Group's short to medium-term cash flows by minimizing the exposure to financial markets. Long-term financial investments are managed to generate lasting returns.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed to are described as follows:

24.1 Market Risk

(a) Foreign Currency Risk

Most of the Group's transactions are carried out in Philippine pesos, its functional currency. Exposures to currency exchange rates arise from the Group's foreign currency-denominated Cash and Cash Equivalents, Trade and Other Receivables, Interest-bearing Loans and Borrowings, Trade and Other Payables and Notes Payable, which are primarily denominated in U.S. dollar (USD) and Hong Kong dollar (HKD).

To mitigate the Group's exposure to foreign currency risk, non-Philippine peso cash flows are monitored.

Foreign currency denominated financial assets and financial liabilities, translated into Philippine pesos at the closing rate, are as follows:

	2013			
	USD	PHP Equivalent	HKD	PHP Equivalent
Financial assets	\$ 23,325,204	P 1,035,965,597	\$ 235,251,272	P 1,347,307,562
Financial liabilities	(324,532,539)	(14,413,788,167)	(112,225,045)	(642,724,055)
	<u>(\$ 301,207,335)</u>	<u>(P 13,377,822,570)</u>	<u>\$ 123,026,227</u>	<u>P 704,583,507</u>

	2012			
	USD	PHP Equivalent	HKD	PHP Equivalent
Financial assets	\$ 60,388,340	P 2,487,516,490	\$ 463,184,627	P 2,461,548,380
Financial liabilities	(325,710,377)	(13,416,661,863)	(164,796,643)	(875,795,282)
	(\$ 265,322,037)	(P 10,929,145,373)	\$ 298,387,984	P 1,585,753,098

The following table illustrates the sensitivity of the Group's profit before tax with respect to changes in Philippine pesos against foreign currencies exchange rates:

Increase (decrease) in exchange rate	2013		2012	
	USD	HKD	USD	HKD
P 1	(P 301,207,335)	P 123,026,227	(P 265,322,037)	P 298,387,984
(P 1)	301,207,335	(123,026,227)	265,322,037	(298,387,984)

Exposures to foreign exchange rates vary during the period depending on the volume of overseas transactions. There are no exposures on foreign exchange rates that affect other comprehensive income. Nonetheless, the analysis above is considered to be representative of the Group's foreign currency risk.

(b) *Interest Rate Risk*

The Group's policy is to minimize interest rate cash flow risk exposures on long-term financing. Long-term borrowings are therefore usually at fixed rates. At December 31, 2013 and 2012, the Group is exposed to changes in market interest rates through Cash and Cash Equivalents and certain Interest-bearing Loans and Borrowings, which are subject to variable interest rates (see Notes 5 and 13). All other interest-bearing financial assets and liabilities have fixed rates.

The following illustrates the sensitivity of the Group's profit before tax to a reasonably possible change in interest rates of +/-1.22 % and +/- 0.53% for Philippine pesos in 2013 and 2012, respectively. These percentage changes in rates have been determined based on the average market volatility in interest rates, using standard deviation, in the previous 12 months, estimated at 99% level of confidence. The sensitivity analysis is based on the Group's consolidated financial instruments held at the end of each reporting periods, with effect estimated from the beginning of period. All other variables are held constant, if interest rate increased by 1.22% in 2013 and 0.53% in 2012, profit before tax in 2013 would have increased by P285.4 million while profit before tax in 2012 would have increased by P190.5 million. Conversely, if the interest rate decreased by the same percentages, profit before tax would have been lower by the same amounts in 2013 and 2012.

(c) *Other Price Risk*

The Group is exposed to other price risk in respect of its liability swap agreement involving floating rate coupons since the Group's payments are based on cumulative performance of an index specifically agreed with the bank (see Note 15).

The Group's sensitivity to other price risk in regards to the said liability swap agreement cannot be reliably determined due to numerous uncertainties regarding the future cumulative performance of the index against the backdrop of current issues in the global economy. The Group has recognized unrealized loss on this derivative transaction amounting to U.S. \$2.5 million (P112.8 million), U.S. \$8.9 million (P368.6 million) and U.S. \$26.5 million (P1.2 billion) in 2013, 2012 and 2011, respectively.

24.2 Credit Risk

Credit risk is the risk that a counterparty will fail to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments, which include granting loans and receivables to customers and other counterparties, and placing deposits.

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. The Group's policy is to deal only with creditworthy counterparties.

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown on the face of the consolidated statements of financial position (or in the detailed analysis provided in the notes to the consolidated financial statements) as summarized in the succeeding page.

	Notes	2013	2012
Cash and cash equivalents	5	P25,775,504,641	P 16,913,702,429
Trade and other receivables (except Advances to suppliers)	6	1,670,842,497	1,443,800,993
Advances to related parties	21.6	160,722,254	188,973,468
Investments in time deposits	5, 8	111,438,992	108,403,687
Refundable deposits	12	87,084,318	65,127,857
Accumulated jackpot seed money	12	57,125,000	43,890,128
		<u>P27,862,717,702</u>	<u>P 18,763,898,562</u>

None of the Group's financial assets are secured by collateral or other credit enhancements, except for cash and cash equivalents as described below.

(a) Cash and Cash Equivalents and Investments in Time Deposits

The credit risk for cash and cash equivalents and investments in time deposits is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

Cash in banks are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P500,000 per depositor per banking institution.

(b) Trade and Other Receivables

In respect of trade and other receivables, the Group has significant outstanding receivables to related parties. Based on historical information about default rates and financial condition of the related parties, management considers the credit quality of these receivables to be good.

(c) *Advances to Related Parties and Refundable Deposits*

The Group is not exposed to any significant credit risk on its advances to and refundable deposits from related parties with good credit standing. Accordingly, management considers the credit quality of advances to and refundable deposits from related parties to be good.

(d) *Accumulated Jackpot Seed Money*

In respect of accumulated jackpot seed money, the Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties because of the Group's diversified profile of patrons.

The Group's management considers that all the above financial assets that are not impaired or past due at the end of each reporting periods are of good credit quality. There are no significant financial assets which are past due but not impaired as at the end of the reporting periods.

24.3 Liquidity Risk

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a 6-month and one-year periods are identified monthly.

The Group maintains cash to meet its liquidity requirements for up to 60-day periods. Excess cash is invested in time deposits or short-term marketable securities. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

As at December 31, 2013, the Group's financial liabilities have contractual maturities which are presented below.

	Current		Non-current
	Within 6 Months	6 to 12 Months	1 to 5 Years
Interest-bearing loans and borrowings	P 887,708,343	P 875,008,332	P 3,102,390,065
Trade and other payables (except tax-related liabilities and liability for unredeemed gaming points)	6,572,888,626	-	-
Dividends payable	1,299,210,000	-	-
Notes payable	459,684,900	459,684,900	15,853,327,412
Advances from related parties	161,969,303	-	-
Derivative liability	-	-	1,145,961,938
Other non-current liabilities	-	-	121,818,390
	<u>P 9,381,461,172</u>	<u>P 1,334,693,232</u>	<u>P20,223,497,805</u>

This compares to the contractual maturities of the Group's financial liabilities as of December 31, 2012 as follows:

	Current		Non-current
	Within 6 Months	6 to 12 Months	1 to 5 Years
Interest-bearing loans and borrowings	P 2,652,832,360	P 175,656,984	P 4,981,076,340
Trade and other payables (except tax-related liabilities and liability for unredeemed gaming points)	4,740,301,862	-	-
Advances from related parties	21,552,014	-	-
Notes payable	426,337,200	426,337,200	15,626,185,200
Derivative liability	-	-	1,246,123,668
Other non-current liabilities	-	-	665,820,307
	<u>P 7,841,023,436</u>	<u>P 601,994,184</u>	<u>P 22,519,205,515</u>

The contractual maturities reflect the gross cash flows which may differ from the carrying values of the financial liabilities at the end of the reporting periods.

25. CATEGORIES, FAIR VALUES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

25.1 Carrying Amounts and Fair Values by Category

The carrying amounts and fair values of the categories of financial assets and financial liabilities presented in the consolidated statements of financial position are shown below and in the succeeding page.

Notes	2013		2012	
	Carrying Values	Fair Values	Carrying Values	Fair Values
Financial assets				
Loans and receivables:				
Cash and cash equivalents	5	P 25,775,504,641	P 25,775,504,641	P 16,913,702,429
Trade and other receivables	6	1,670,842,497	1,670,842,497	1,443,800,993
Advances to related parties	21.6	160,722,254	160,722,254	188,973,468
Investments in time deposits	5, 8	111,438,992	111,438,992	108,403,687
Refundable deposits	12	87,084,318	87,084,318	65,127,857
Accumulated jackpot seed money	12	57,125,000	57,125,000	43,890,128
		<u>P 27,862,717,702</u>	<u>P 27,862,717,702</u>	<u>P 18,763,898,562</u>
AFS financial assets		<u>P 49,880,000</u>	<u>P 49,880,000</u>	<u>P 40,570,000</u>

Notes	2013		2012	
	Carrying Values	Fair Values	Carrying Values	Fair Values
Financial liabilities				
At amortized cost:				
Interest-bearing loans and borrowings	13	P 4,571,746,506	P 4,571,746,506	P 7,156,295,508
Trade and other payables	14	6,572,888,626	6,572,888,626	4,740,301,862
Dividends payable	22.2	1,299,210,000	1,299,210,000	-
Advances from related parties	21.6	161,969,303	161,969,303	21,552,014
Notes payable	15	13,095,218,012	13,095,218,012	12,098,888,653
Other non-current liabilities		121,818,390	121,818,390	665,820,307
		<u>P 25,822,850,837</u>	<u>P 25,822,850,837</u>	<u>P 24,682,858,344</u>
At FVTPL –				
Derivative liability	15	P 1,145,961,938	P 1,145,961,938	P 1,246,123,668

See Notes 2.5 and 2.11 for the description of the accounting policies for each category of financial instruments including the determination of fair values. A description of the Company's risk management objectives and policies for financial instruments is provided in Note 24.

25.2 Offsetting of Financial Assets and Financial Liabilities

The Group has not set-off financial instruments in 2013 and 2012 and does not have relevant offsetting arrangements, except as disclosed in Note 21.6. Currently, all other financial assets and financial liabilities are settled on a gross basis; however, each party to the financial instrument (particularly related parties) will have the option to settle all such amounts on a net basis in the event of default of the other party through approval by both parties' BOD and stockholders. As such, the Group's outstanding receivables from and payables to the same related parties as presented in Note 21 can be potentially offset to the extent of their corresponding outstanding balances.

26. FAIR VALUE MEASUREMENT AND DISCLOSURES

26.1 Fair Value Hierarchy

In accordance with PFRS 13, the fair value of financial assets and financial liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those financial assets and financial liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

26.2 Financial Instruments Measurement at Fair Value

Golf club and other club shares classified as AFS financial assets are included in Level 2 as their prices are not derived from market and not considered as active due to lack of trading activities among market participants at the end or close to the end of the reporting period. In 2013 and 2012, the Company acquired additional investments in AFS financial assets amounting to P9.1 million and P0.7 million, respectively.

The fair value of these shares increased by P0.2 million, P12.4 million in 2013 and 2012, respectively, and decreased by P1.5 million in 2011, which are presented as Unrealized Fair Value Gains (Losses) on Available-for-sale Financial Assets in other comprehensive income (loss) section of the consolidated statements of comprehensive income. Amounts recognized in other comprehensive income (loss) were included within item that will be reclassified subsequently to profit or loss. Accumulated fair value gains on AFS financial assets is presented as part of Revaluation Reserves in the consolidated statements of financial position.

The fair value of derivative liability is measured at inputs other than quoted prices that are indirectly observable for the liability and is categorized within Level 2. These fair values are derived from prices set in the derivative contract.

There were no transfers across the levels of the fair value hierarchy in both years.

26.3 Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed

The table below and in the succeeding page summarizes the fair value hierarchy of the Group's financial assets and financial liabilities which are not measured at fair value in the 2013 consolidated statement of financial position but for which fair value is disclosed.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<i>Financial assets:</i>				
Cash and cash equivalents	P 25,775,504,641	P -	P -	P 25,775,504,641
Trade and other receivables	-	-	1,670,842,497	1,670,842,497
Advances to related parties	-	-	160,722,254	160,722,254
Investment in time deposits	111,438,992	-	-	111,438,992
Refundable deposits	-	-	87,084,318	87,084,318
Accumulated jackpot seed money	-	-	57,125,000	57,125,000
	<u>P25,886,943,633</u>	<u>P -</u>	<u>P 1,975,774,069</u>	<u>P 27,862,717,702</u>

	Level 1	Level 2	Level 3	Total
Financial liabilities:				
Interest-bearing loans and borrowings	P -	P -	P 4,571,746,506	P 4,571,746,506
Trade and other payables	-	-	6,572,888,626	6,572,888,626
Dividends payables	-	-	1,299,210,000	1,299,210,000
Advances from related parties	-	-	161,969,303	161,969,303
Notes payable	-	-	13,095,218,012	13,095,218,012
Derivative liability	-	-	1,145,961,938	1,145,961,938
Other non-current liabilities	-	-	121,818,390	121,818,390
	<u>P -</u>	<u>P -</u>	<u>P 26,968,812,775</u>	<u>P 26,968,812,775</u>

For financial assets with fair values included in Level 1, management considers that the carrying amounts of these financial instruments approximate their fair values due to their short-term duration.

The fair values of the financial assets and financial liabilities included in Level 3, which are not traded in an active market, are determined based on the expected cash flows of the underlying net asset or liability base of the instrument where the significant inputs required to determine the fair value of such instruments are not based on observable market data.

26.4 Fair Value for Investment Property Measured at Cost for which Fair Value is Disclosed

The fair value of the Group's investment property (see Note 11) was determined by an independent appraiser with appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. To some extent, the valuation process was conducted by the appraiser in discussion with the Group's management with respect to the determination of the inputs such as location and neighborhood, access and transportation, infrastructure, land particulars, shape and topography, zoning and planning, environmental and other relevant considerations. In estimating the fair value of these properties, management takes into account the market participant's ability to generate economic benefits by using the assets in their highest and best use. Based on management assessment, the best use of the Group's investment property is their current use.

As of December 31, 2013, the fair value of the Group's investment property is classified in Level 3 of the fair value hierarchy. The Level 3 fair value of the investment property was determined using the income approach which is performed with values derived using a 15-year discounted cash flow model with 16th year reversion value. The income approach uses future free cash flow projections and discounts them to arrive at a present value. The discount rate is based on the level of risk of the business opportunity and costs of capital. For the investment property, the approach involves the projection of the discounting revenues, outgoing expenses over the future 15 years with reference to the anticipated revenues. The reversion value at the 16th year is capitalized at an appropriate capitalization rate to determine the terminal value of the asset. The adopted capitalization for the asset may reflect the quality and market position of the asset at the end of the cash flow. The most significant inputs into this valuation approach are the estimated annual cash inflow and outgoing expenses, anticipated increase in market rental, discount rate and terminal capitalization rate.

27. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to stockholders by pricing services commensurate with the level of risk.

The Group monitors capital on the basis of the carrying amount of equity as presented on the face of the consolidated statements of financial position. The Group's goal in capital management is for the Company to maintain a debt – equity structure of not higher than 70% debt – 30% equity ratio [see Note 23.3(a)]. Capital of the Company for the reporting period and the computation of debt – equity structure as at December 31, 2013, 2012 and 2011 are summarized below.

	<u>2013</u>	<u>2012</u> (As Restated – see Note 2.2)	<u>2011</u> (As Restated – see Note 2.2)
Total debt from financing:			
Interest-bearing loans and borrowings	P 4,429,621,706	P 6,892,666,708	P 6,917,879,150
Notes payable	13,095,218,012	12,098,888,653	12,848,121,514
Advances from related parties	<u>230,446,802</u>	<u>162,600,602</u>	<u>117,388,822</u>
	17,755,286,520	19,154,155,963	19,883,389,486
Total equity	33,951,948,792	21,606,829,952	19,147,954,588
Debt-equity ratio	<u>34% – 66%</u>	<u>47% – 53%</u>	<u>51% – 49%</u>

The ratios as at December 31, 2013, 2012 and 2011 are in line with the Company's Provisional License Agreement with PAGCOR [see Note 23.3(a)].

The Group sets the amount of capital in proportion to its overall financing structure, i.e., total equity and total debt from financing. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to stockholders, issue new shares or sell assets to reduce debt.

28. EARNINGS PER SHARE

Earnings per share is computed as follows:

	<u>2013</u>	<u>2012</u> <u>(As Restated –</u> <u>see Note 2.2)</u>	<u>2011</u> <u>(As Restated –</u> <u>see Note 2.2)</u>
Basic:			
Net profit	P 2,739,516,493	P 6,734,216,200	P 4,824,243,357
Divided by weighted average number of outstanding common shares	<u>8,942,227,983</u>	<u>1,000,000,000</u>	<u>1,000,000,000</u>
	<u>P 0.31</u>	<u>P 6.73</u>	<u>P 4.82</u>
Diluted:			
Net profit	P 2,739,516,493	P 6,734,216,200	P 4,824,243,357
Divided by weighted average number of outstanding common shares and potential dilutive common shares	<u>14,775,561,317</u>	<u>1,000,000,000</u>	<u>1,000,000,000</u>
	<u>P 0.19</u>	<u>P 6.73</u>	<u>P 4.82</u>

In 2013, there are 5.8 billion potential dilutive common shares representing the weighted average number of the Company's 10.0 billion outstanding preferred B shares convertible into common shares (see Note 22.1). There were no potential dilutive common shares in 2012 and 2011; hence, the basic EPS is the same as the diluted EPS for those years.

TRAVELLERS INTERNATIONAL HOTEL GROUP, INC. AND SUBSIDIARIES
LIST OF SUPPLEMENTARY INFORMATION
DECEMBER 31, 2013

A. Statement of Management's Responsibility for the Financial Statements

B. Independent Auditors' Report on the SEC Supplementary Schedules
Filed Separately from the Basic Financial Statements

C. Schedule of Financial Indicators for December 31, 2013 and 2012

D. List of Supplementary Information

Supplementary Schedules to Financial Statements (Form 17-A, Item 7)

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B	Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Affiliates)	2
C	Amounts Receivable from Related Parties which are eliminated during the Consolidation of Financial Statements	3
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F	Indebtedness to Related Parties	6
G	Guarantees of Securities of Other Issuers	7
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STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS

The management of **Travellers International Hotel Group, Inc. and Subsidiaries** is responsible for the preparation and fair presentation of the consolidated financial statements as of and for the three years ended **December 31, 2013 and 2012 (with comparative figures for December 31, 2012 and 2011)**, including the additional components attached therein, in accordance with Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the consolidated financial statements and submit the same to the stockholders.

Punongbayan & Araullo, the independent auditors, appointed by the stockholders, has examined the consolidated financial statements of the Group in accordance with Philippine Standards on Auditing, and in its report to the Board of Directors and stockholders has expressed its opinion on the fairness of presentation upon completion of such examination.

Signed under oath by the following

Signature :  DAVID CHUA MING HUAT

Chairman

Signature :  KINGSON SIAN

President

Signature :  BERNARD THAN BOON TEONG

Chief Financial Officer

Signed this MAR 15 2014
day of _____

REPUBLIC OF THE PHILIPPINES)
PASAY CITY) S.S.

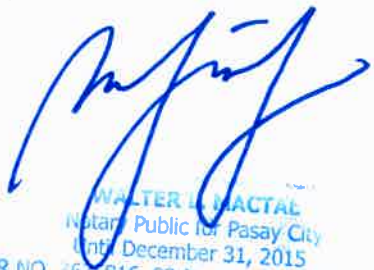
SUBSCRIBED AND SWORN to before me this 15th day of March 2014 in Pasay City, affiants exhibiting to me the following as competent evidence of their identity:

NAME	COMPETENT EVIDENCE OF IDENTITY
DAVID CHUA MING HUAT	Passport No. A26767418 valid until 12 December 2017
KINGSON U. SIAN	Passport No. EB7369260 valid until 11 February 2018
BERNARD THAN BOON TEONG	Passport No. A24320788 valid until 10 May 2016

WITNESS MY HAND AND SEAL, on the date and at the place above-written.

Doc. No. 180;
Page No. 37;
Book No. I;
Series of 2014.




WALTER L. MACTAL
Notary Public for Pasay City
Until December 31, 2015
PTR NO. 3675816, 08 January 2014, Pasay City
IBP NO. 954368, 09 January 2014/01, Pasay City
NOTARIAL COMMISSION NO. 1-72
Roll of Attorney No. 57277
10/F NECC Building, Newport Boulevard,
Newport City, 1309 Pasay City, Metro Manila



Punongbayan & Araullo

An instinct for growth™

Report of Independent Auditors to Accompany Supplementary Information Required by the Securities and Exchange Commission Filed Separately from the Basic Consolidated Financial Statements

19th and 20th Floors, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines


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The Board of Directors and Stockholders
Travellers International Hotel Group, Inc.
and Subsidiaries
(A Subsidiary of Alliance Global Group, Inc.)
10/F Newport Entertainment & Commercial Centre
Newport Boulevard, Newport Cybertourism Economic Zone
Pasay City

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Travellers International Hotel Group, Inc. and subsidiaries for the year ended December 31, 2013, on which we have rendered our report dated February 27, 2014. Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The applicable supplementary information (see List of Supplementary Information) is presented for purposes of additional analysis in compliance with the requirements under the Securities Regulation Code Rule 68, and is not a required part of the basic consolidated financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

PUNONGBAYAN & ARAULLO


By: Nelson J. Dinio
Partner

CPA Reg. No. 0097048
TIN 201-771-632
PTR No. 4225008, January 2, 2014, Makati City
SEC Group A Accreditation
Partner - No. 1036-AR-1 (until Aug. 21, 2016)
Firm - No. 0002-FR-3 (until Jan. 18, 2015)
BIR AN 08-002511-32-2013 (until Nov. 7, 2016)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2015)

February 27, 2014

TRAVELLERS INTERNATIONAL HOTEL GROUP, INC. AND SUBSIDIARIES

Schedule of Financial Indicators for December 31, 2013 and 2012

As required under SRC Rule 68, as amended

For the Years Ended December 31, 2013 and 2012

(Amounts in Philippine Pesos)

	<u>December 31, 2013</u>	<u>December 31, 2012</u> <u>(As Restated)</u>	<u>December 31, 2013</u>	<u>December 31, 2012</u> <u>(As Restated)</u>
I. Current/liquidity ratios				
a. Current Ratio				
<u>Total Current Assets</u>	<u>P 29,471,695,215</u>	<u>P 19,919,719,812</u>	2.84	2.46
<u>Total Current Liabilities</u>	<u>10,382,737,639</u>	<u>8,091,711,421</u>		
b. Quick Ratio				
[Cash and Cash Equivalents + Investment in Time Deposits (presented under Prepayments and Other Current Assets) + Trade and Other Receivables]	<u>28,930,224,086</u>	<u>19,436,908,570</u>	2.79	2.40
<u>Total Current Liabilities</u>	<u>10,382,737,639</u>	<u>8,091,711,421</u>		
II. Solvency ratios				
a. Solvency Ratio				
<u>(Earnings Before Interest and Taxes)</u>	<u>4,032,613,355</u>	<u>7,859,274,410</u>	0.15	0.29
<u>Total Liabilities</u>	<u>27,797,891,304</u>	<u>26,729,976,553</u>		
b. Debt-to-Equity Ratio				
<u>Total Liabilities</u>	<u>27,797,891,304</u>	<u>26,729,976,553</u>	0.83	1.26
<u>Total Equity</u>	<u>33,427,843,553</u>	<u>21,236,804,767</u>		
III. Asset-to-equity ratio				
<u>Total Assets</u>	<u>61,225,734,857</u>	<u>47,966,781,320</u>	1.83	2.26
<u>Total Equity</u>	<u>33,427,843,553</u>	<u>21,236,804,767</u>		
IV. Interest Coverage Ratio				
<u>(Earnings Before Interest and Taxes)</u>	<u>4,032,613,355</u>	<u>7,859,274,410</u>	3.29	7.44
<u>Interest Expense</u>	<u>1,226,431,676</u>	<u>1,056,904,123</u>		
V. Profitability Ratios				
a. Net Profit Margin				
<u>Net Profit</u>	<u>2,739,516,493</u>	<u>6,734,216,200</u>	0.09	0.23
<u>Net Revenues*</u>	<u>30,848,028,933</u>	<u>29,389,747,392</u>		
b. Return on Equity				
<u>Net profit</u>	<u>2,739,516,493</u>	<u>6,734,216,200</u>	0.10	0.34
<u>Average Equity</u>	<u>27,332,324,160</u>	<u>20,005,551,667</u>		
c. Return on Assets				
<u>Net Profit</u>	<u>2,739,516,493</u>	<u>6,734,216,200</u>	0.05	0.14
<u>Average Total Assets</u>	<u>54,596,258,089</u>	<u>46,781,080,182</u>		
VI. Debt Service Coverage Ratio				
a. Debt Service Coverage Ratio				
<u>Earnings Before Interest, Taxes, Depreciation and Allowances</u>	<u>6,717,656,365</u>	<u>9,169,715,207</u>	1.65	5.97
<u>Total Debt Service**</u>	<u>4,083,506,843</u>	<u>1,536,468,646</u>		

* Revenues after deducting promotional allowance.

** Sum of Principal repayments and Interest expense during the year

TRAVELLERS INTERNATIONAL HOTEL GROUP, INC. AND SUBSIDIARIES

SEC Released Amended SRC Rule 68

Annex 68-E

Schedule A - Financial Assets

December 31, 2013

(Amounts in Philippine Pesos)

Name of Issuing Entity and Association of Each Issue	Number of Shares or Principal Amount	Amount Shown in the Statement Financial Position	Value Based on Market Quotation at Statement of Condition Date	Income Received and Accrued
--	--------------------------------------	--	--	-----------------------------

FINANCIAL ASSETS AT FAIR VALUE THROUGH PTOFIT OR LOSS

Not Applicable

AVAILABLE-FOR-SALE FINANCIAL ASSETS

Equity Securities

Manila Golf and Country Club, Inc. (Lifetime Membership)	One (1)	P	38,000,000	P	38,000,000	(P 2,000,000)
Manila Southwoods Golf Club Class "A" Shares	Six (6)		2,280,000		2,280,000	1,910,000
Sherwood Hills Golf Shares Class "C"	Three (3)		600,000		600,000	400,000
Sta. Elena Golf Club Shares Class "A"	Two (2)		6,000,000		6,000,000	(168,000)
Alphaland Marina Club	One (1)		1,500,000		1,500,000	300,000
Manila Yatch Club	Two (2)		1,500,000		1,500,000	(200,000)
			49,880,000		49,880,000	242,000

HELD-TO-MATURITY INVESTMENTS

Not Applicable

GRAND TOTAL P 49,880,000 P 49,880,000 P 242,000

TRAVELLERS INTERNATIONAL HOTEL GROUP, INC. AND SUBSIDIARIES

SEC Released Amended SRC Rule 68

Annex 68-E

Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)

December 31, 2013

(Amounts in Philippine Pesos)

Name and Designation of Debtor	Balance at Beginning of Year	Additions	Deductions		Ending Balance		Balance at End of Year
			Amounts Collected	Amounts Written-off	Current	Not Current	
Amounts Receivable from Related Parties							
Fil-Estate Properties Inc.	P 89,939,150	P -	P 89,939,150	P -	P -	P -	P -
Officers and employees	65,225,143	160,243,187	103,729,940	-	121,738,390	-	121,738,390
Andersons Global, Inc.	27,105,760	-	-	-	27,105,760	-	27,105,760
Genting Hong Kong Limited	2,334,709	5,128,733	813,271	-	6,650,171	-	6,650,171
Megaworld Corporation	3,122,766	-	-	-	3,122,766	-	3,122,766
Entertainment City Estate Management, Inc.	1,250,000	-	-	-	1,250,000	-	1,250,000
Manila Bayshore Heritage Foundation, Inc.	(2,223,994)	202,427,825	199,348,664	-	855,166	-	855,166
Others	2,219,934	-	2,219,934	-	-	-	-
TOTAL	<u>P 188,973,468</u>	<u>P 367,799,745</u>	<u>P 396,050,959</u>	<u>P -</u>	<u>P 160,722,254</u>	<u>P -</u>	<u>P 160,722,254</u>

TRAVELLERS INTERNATIONAL HOTEL GROUP, INC. AND SUBSIDIARIES

SEC Released Amended SRC Rule 68

Annex 68-E

Schedule C - Amounts Receivable from or Payable to Related Parties which are Eliminated during the Consolidation of Financial Statements

December 31, 2013

(Amounts in Philippine Pesos)

Name and Designation of Debtor	Balance at Beginning of Year	Additions	Deductions		Ending Balance		Balance at End of Year
			Amounts Collected	Amounts Written-off	Current	Not Current	
Amounts Receivable from Related Parties Eliminated During Consolidation:							
APEC Assets Limited	P 1,021,300,199	P 621,385,749	P 349,909,935	P -	P 1,292,776,013	P -	P 1,292,776,013
BrightLeisure Management, Inc.	(79,163,767)	2,400,687,417	2,314,814,867	-	6,708,782	-	6,708,782
Deluxe Hotels and Recreation, Inc.	-	11,778,702	71,188	-	11,707,514	-	11,707,514
Entertainment City Integrated Resorts & Leisure, Inc.	-	1,750	-	-	1,750	-	1,750
Grand Integrated Hotels and Recreation, Inc.	536,102	56,387,646	45,049,936	-	11,873,812	-	11,873,812
Lucky Star Hotels and Recreation, Inc.	-	11,067,356	50,000	-	11,017,356	-	11,017,356
Majestic Sunrise Leisure & Recreation, Inc.	-	10,491,530	-	-	10,491,530	-	10,491,530
Net Deals, Inc.	3,973,969	8,517,729	3,745,208	-	8,746,491	-	8,746,491
Royal Bayshore Hotels & Amusement, Inc.	-	2,160,700	-	-	2,160,700	-	2,160,700
	P 946,646,503	P 3,122,478,578	P 2,713,641,134	P -	P 1,355,483,948	P -	P 1,355,483,948
Amounts Payable to Related Parties Eliminated During Consolidation							
GrandServices, Inc.	(P 378,288)	P 162,989,017	P 151,073,929	P -	P 11,536,800	P -	P 11,536,800
Newport Star Lifestyle, Inc.	-	594,081	458,759	-	135,322	-	135,322
GrandVenture Management Services, Inc.	61,884,821	1,329,426,049	1,334,505,493	-	56,805,377	-	56,805,377
	P 61,506,533	P 1,493,009,147	P 1,486,038,182	P -	P 68,477,499	P -	P 68,477,499

TRAVELLERS INTERNATIONAL HOTEL GROUP, INC. AND SUBSIDIARIES

SEC Released Amended SRC Rule 68

Annex 68-E

Schedule D - Intangible/Other Assets

December 31, 2013

(Amounts in Philippine Pesos)

Description	Beginning Balance	Additions at Cost	Charged to Cost and Expenses	Charged to Other Accounts	Other Changes Additions (Deductions)	Ending Balance
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Not Applicable

The Group does not have any intangible asset as at December 31, 2013

TRAVELLERS INTERNATIONAL HOTEL GROUP, INC. AND SUBSIDIARIES

SEC Released Amended SRC Rule 68

Annex 68-E

Schedule E - Long-term Debt

December 31, 2013

(Amounts in Philippine Pesos)

Title of Issue and Type of Obligation	Amount Authorized by Indenture	Amount Shown Under Caption "Current Portion of Long-term Debt" in Related Statement of Financial Position	Amount Shown Under Caption "Long-term Debt" in related Statement of Financial Condition
Singapore Exchange Securities Trading Limited, Notes Payable	P 13,324,200,000	P -	P 13,095,218,012
BDO Unibank, Inc., Loans Payable	11,000,000,000	1,461,144,151	2,968,477,555
Maybank International (L) Ltd, Loans Payable	<u>710,624,000</u>	<u>142,124,800</u>	<u>-</u>
TOTAL	<u>P 25,034,824,000</u>	<u>P 1,603,268,951</u>	<u>P 16,063,695,567</u>

TRAVELLERS INTERNATIONAL HOTEL GROUP, INC. AND SUBSIDIARIES

SEC Released Amended SRC Rule 68

Annex 68-E

Schedule F - Indebtedness to Related Parties (Current Liabilities)

December 31, 2013

(Amounts in Philippine Pesos)

Name of Related Party		Balance at Beginning of Year		Balance at End of Year	Purpose
Star Cruises Limited	P	17,210,470	P	157,265,781	Purchase of services
Genting Star		1,748		2,436,844	Purchase of services
Macau Crockfords		1,464,552		1,432,033	Purchase of services
Resorts World Sentosa		651,250		830,585	Purchase of services
HongKong Server		-		4,060	Purchase of services
Manila Bayshore Heritage Foundation, Inc.		2,223,994		-	
TOTAL	P	21,552,014	P	161,969,303	

TRAVELLERS INTERNATIONAL HOTEL GROUP, INC. AND SUBSIDIARIES

SEC Released Amended SRC Rule 68

Annex 68-E

Schedule G - Guarantees of Securities of Other Issuers

December 31, 2013

(Amounts in Philippine Pesos)

Name of Issuing Entity of Securities Guaranteed by the Company for which This Statement is Filed	Title of Issue of Each Class of Securities Guaranteed	Total Amount Guaranteed and Outstanding	Amount Owned by Person for which This Statement is Filed	Nature of Guarantee
--	---	---	--	---------------------

APEC Assets Limited	Loans Payable to Maybank International (L) Ltd	P	142,124,800	P	142,124,800	Guarantee of Principal and Interest
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TRAVELLERS INTERNATIONAL HOTEL GROUP, INC. AND SUBSIDIARIES

SEC Released Amended SRC Rule 68

Annex 68-E

Schedule H - Capital Stock

December 31, 2013

(Amounts in Philippine Pesos)

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding as Shown Under the Related Statement of Condition Caption	Number of Shares Reserved for Options, Warrants, Conversion and Other Rights	Number of Shares Held by		
				Related Parties	Directors, Officers and Employees	Others
Common shares	25,000,000,000	15,755,874,850	-	14,158,999,970	145,100	1,596,729,780
Preferred shares (A)	73,000,000,000	-	-	-	-	-
Preferred shares (B)	20,000,000,000	10,000,000,000	-	10,000,000,000	-	-

TRAVELLERS INTERNATIONAL HOTEL GROUP, INC. AND SUBSIDIARIES

(A Subsidiary of Alliance Global Group, Inc.)

Schedule of Philippine Financial Reporting Standards and Interpretations

Adopted by the Securities and Exchange Commission and the
Financial Reporting Standards Council as of December 31, 2013

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements		✓		
Conceptual Framework Phase A: Objectives and Qualitative Characteristics		✓		
Practice Statement Management Commentary			✓	
<i>Philippine Financial Reporting Standards (PFRS)</i>				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters	✓		
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters	✓		
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters	✓		
	Amendment to PFRS 1: Government Loans	✓		
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations	✓		
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	✓		
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	✓		
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	✓		
	Amendment to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures (<i>deferred application</i>)			✓
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments*			✓
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures*			✓
PFRS 10	Consolidated Financial Statements	✓		
	Amendment to PFRS 10: Transition Guidance*			✓
PFRS 11	Amendment to PFRS 10: Investment Entities	✓		
	Joint Arrangements	✓		
PFRS 12	Amendment to PFRS 11: Transition Guidance	✓		
	Disclosure of Interests in Other Entities	✓		
PFRS 12	Amendment to PFRS 12: Transition Guidance	✓		
	Amendment to PFRS 12: Investment Entities	✓		
PFRS 13	Fair Value Measurement	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
<i>Philippine Accounting Standards (PAS)</i>				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendment to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Revised)	Employee Benefits	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation	✓		
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Revised)	Separate Financial Statements	✓		
	Amendment to PAS 27: Investment Entities	✓		
PAS 28 (Revised)	Investments in Associates and Joint Ventures	✓		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendment to PAS 32: Classification of Rights Issues	✓		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities* <i>(effective January 1, 2014)</i>			✓
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
PAS 36	Impairment of Assets	✓		
	Amendment to PAS 36: Recoverable Amount Disclosures for Non-financial Assets* <i>(effective January 1, 2014)</i>			✓
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions	✓		
	Amendments to PAS 39: The Fair Value Option	✓		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC 9 and PAS 39: Embedded Derivatives	✓		
	Amendment to PAS 39: Eligible Hedged Items	✓		
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting* <i>(effective January 1, 2014)</i>			✓
PAS 40	Investment Property	✓		
PAS 41	Agriculture			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
<i>Philippine Interpretations - International Financial Reporting Interpretations Committee (IFRIC)</i>				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities**	✓		
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds**	✓		
IFRIC 6	Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29, Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives**	✓		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives**	✓		
IFRIC 10	Interim Financial Reporting and Impairment	✓		
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes	✓		
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
	Amendments to Philippine Interpretations IFRIC - 14, Prepayments of a Minimum Funding Requirement and their Interaction**	✓		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners**	✓		
IFRIC 18	Transfers of Assets from Customers**	✓		
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments**	✓		
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓
<i>Philippine Interpretations - Standing Interpretations Committee (SIC)</i>				
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives	✓		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders**	✓		
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services**	✓		
SIC-32	Intangible Assets - Web Site Costs			✓

* These standards will be effective for periods subsequent to 2013 and are not early adopted by the Company.

** These standards have been adopted in the preparation of financial statements but the Company has no significant transactions covered in all years presented.

TRAVELLERS INTERNATIONAL HOTEL GROUP, INC.
(A Subsidiary of Alliance Global Group, Inc.)
RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR
DIVIDEND DECLARATION
As of December 31, 2013

10/F Newport Entertainment & Commercial Centre, Newport Boulevard,
Newport Cybertourism Economic Zone, Pasay City

Unappropriated Retained Earnings, beginning	P	14,357,472,652
Adjustments:		
Effects of prior period adjustments [Adoption of PAS 19 (Revised)]	(P	1,393,680)
Unrealized foreign currency gains in 2012	(<u>550,209,264</u>) (<u>551,602,944</u>)
Unappropriated Retained Earnings Available for		
Dividend Declaration, as adjusted, beginning		13,805,869,708
Net income actually earned/realized during the year		2,924,688,029
Other transactions during the year:		
Treasury shares, at cost	(8,324,413,210)
Dividends declarations during the year	(<u>7,439,910,000</u>) (<u>15,764,323,210</u>)
TOTAL RETAINED EARNINGS AVAILABLE FOR		
DIVIDEND DECLARATION, END	P	<u>966,234,527</u>

TRAVELLERS INTERNATIONAL HOTEL GROUP, INC. AND SUBSIDIARIES
Map Showing the Relationship Between the Company and Its Related Entities
December 31, 2013

